DOCUMENT RESUME

ED 471 503 HE 035 540

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TITLE	Accounting for State Student Aid: How State Policy and Student Aid Connect.
INSTITUTION	Institute for Higher Education Policy, Washington, DC.
SPONS AGENCY	Ford Foundation, New York, NY.; Education Resources Inst., Boston, MA.
PUB DATE	2002-12-00
NOTE	67p.; Prepared for The New Millennium Project on Higher Education Costs, Pricing, and Productivity.
PUB TYPE	Information Analyses (070)
EDRS PRICE	EDRS Price MF01/PC03 Plus Postage.
DESCRIPTORS	Educational Finance; Educational Policy; *Financial Policy; Financial Support; *Higher Education; *Policy Formation; *State Aid; *Student Financial Aid

ABSTRACT

This study examines the structures of state funding and describes the ways 11 states govern, administer, and pay for student aid, including eligibility criteria and accountability strategies. Eleven states that are currently making some of the biggest investments in state funding for student aid are featured in this report: California, Florida, Illinois, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Vermont, Virginia, and Texas. These states place more emphasis than ever on funding for student aid, and yet it has not been truly integrated into their overall strategies for higher education. Instead, state aid programs typically are managed as supplemental, categorical programs, separated from other aspects of higher education policy and finance. Programs also suffer from a lack of public transparency with regard to their purposes and performance. Evaluations of state aid tend to be narrowly constructed accountings of fund use, rather than analyses of the relative effectiveness of state aid in ensuring access, and evaluations of student aid are often compartmentalized from other state funding assessments. The report calls on states to develop coordinated, statewide policies for administering funding and evaluating student aid. Appendixes contain summaries of the student aid programs in each of the featured states. (SLD)

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Accounting for State Student Aid

How State Policy and Student Aid Connect

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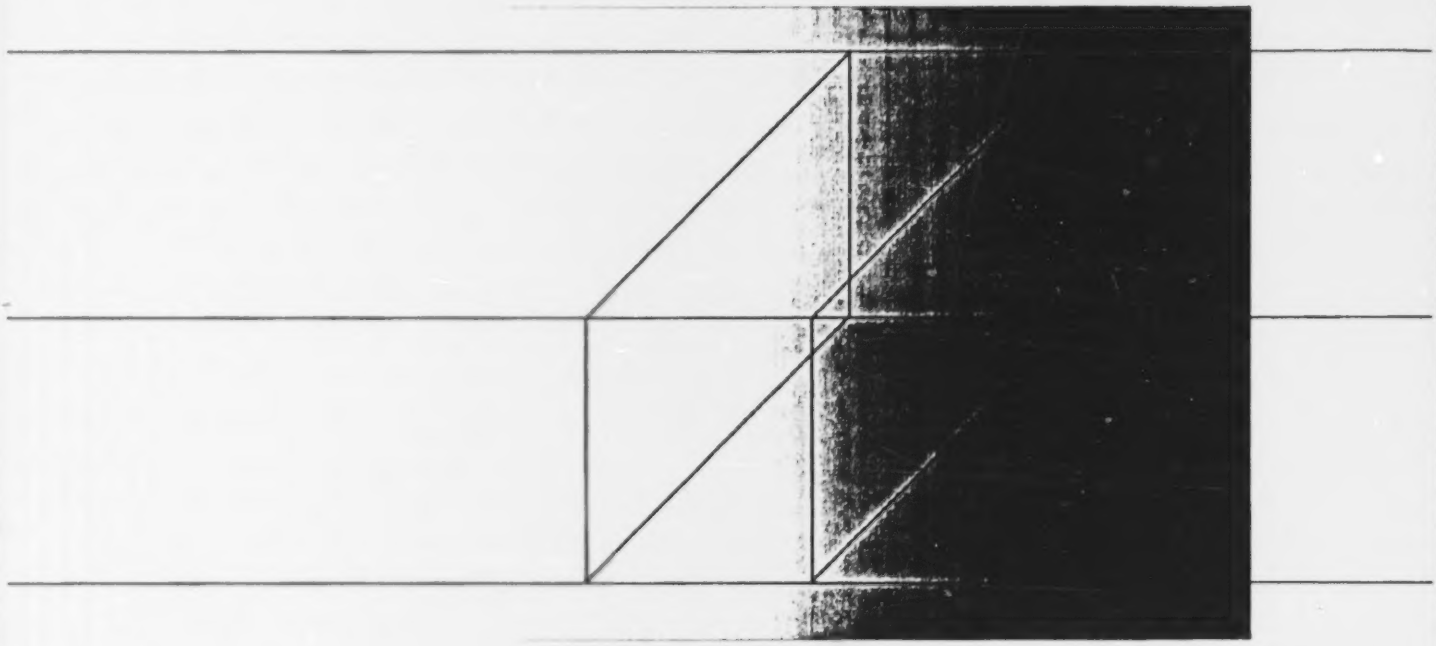

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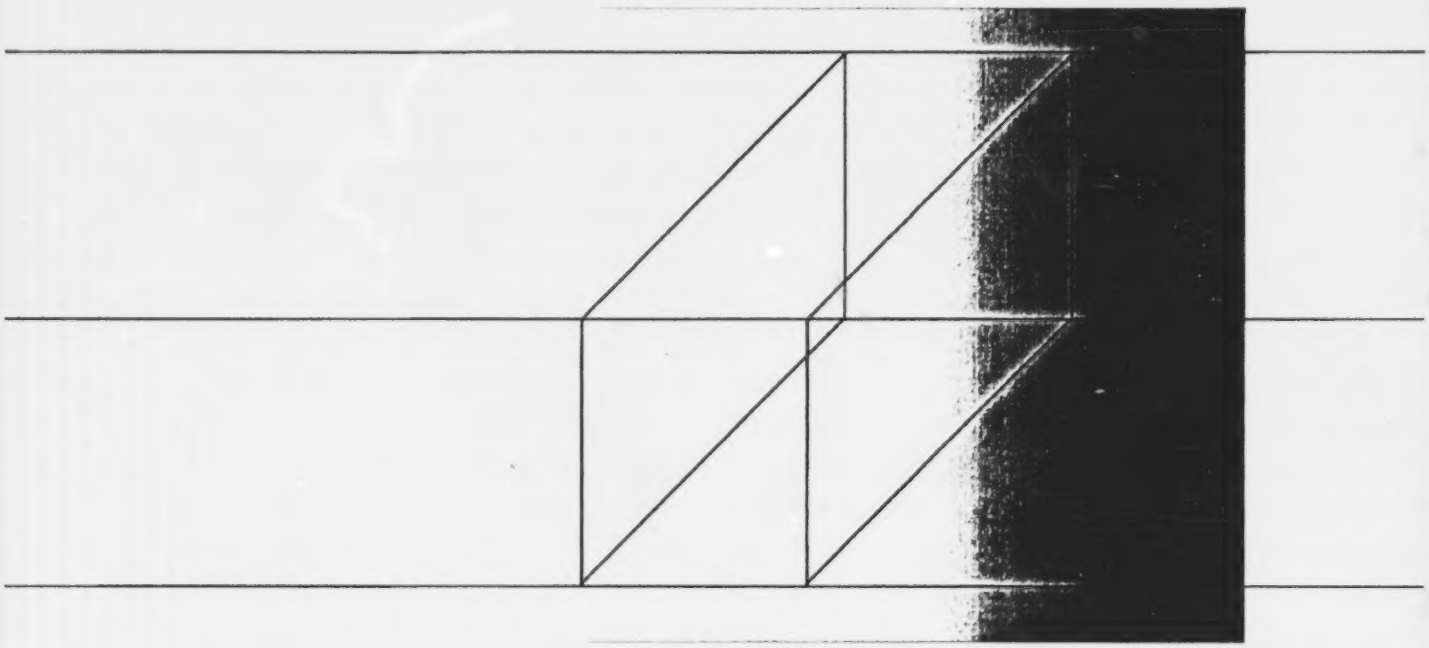

December 2002

Prepared for The New Millennium Project on
Higher Education Costs, Pricing, and Productivity

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Preface

ACCOUNTING FOR STATE STUDENT AID: How State Policy and Student Aid Connect is one of a series of reports and papers in the New Millennium Project on Higher Education Costs, Pricing, and Productivity at the Institute for Higher Education Policy. The New Millennium Project, supported jointly by the Ford Foundation and The Education Resources Institute (TERI), addresses strategies that can be used at the state or institutional level to cope with the rapidly changing funding climate characterized by rising tuitions and reduced state funding. Other papers in this series address the public and private benefits of higher education, tuition trends and state tuition policies, the changing roles of student aid, the effectiveness of federal tax credits, and changing conceptions of institutional choice as an element of student aid policies.

Jane Wellman, senior associate at the Institute for Higher Education Policy, is the author of this report, which focuses on state funding policies for student aid and examines strategies for state aid in eleven states that are making some of the biggest investments in state aid. Research for the report was based on reviews of national literature on funding in higher education, including reports from the National Association of State Student Grant and Aid Programs (NASSGAP) and the College Board. Research on the individual states was accomplished through analysis of published and unpublished documents obtained from the states, supplemented by in-depth interviews of individuals at the state level. Each state was given the opportunity to review the factual description of its policies and programs. Their representatives' generosity of time and expertise was invaluable in putting this report together. The resulting analyses and conclusions of the report, however, are solely the responsibility of the author, as are any errors of omission or interpretation.

Executive Summary

ELEVEN STATES THAT ARE currently making some of the biggest investments in state funding for student aid are featured in this report: California, Florida, Illinois, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Vermont, Virginia, and Texas. This report examines the structures of state funding and describes the ways these states govern, administer, and pay for student aid, including eligibility criteria and accountability strategies.

Although the eleven profiled states are placing more emphasis than ever on funding for student aid, it has not been truly integrated into their overall strategies for higher education. Instead, state aid programs typically are managed as supplemental, categorical programs, separated from other aspects of higher education policy and finance. The programs also suffer from a lack of public transparency with regard to their purposes and performance.

Most states maintain an independent governance structure for student aid through commissions or committees that often are separated from other aspects of state policy. In many states, new programs are added on an ad hoc basis, as student aid is a favorite target for special interest legislation designed to fund niche purposes, such as getting more students into high demand occupations like teaching and nursing. These small aid programs end up having a political half-life that allows them to survive despite weak or nonexistent evidence of their effectiveness. At the same time, most states are underfunding their own goals for need-based grant programs, which are suffering for funding despite recent heavy increases in tuitions.

Most important, evaluations of state aid tend to be narrowly construed accountings of fund use, rather than analyses of the relative effectiveness of state aid in ensuring access, choice, or affordability. Evaluations of student aid are often compartmentalized from other state funding assessments, separating analyses of some types of programs while leaving others off the table. Funding for tuition waivers, for example, is absent from most state accounting for state aid, despite the fact that tuition waivers cost as much or more than grant aid. Assessments of patterns of institutional subsidy, too, are disconnected from evaluations of state aid.

Historically, state and local appropriations have been the single largest source of revenue for public higher education. Traditionally, funding has taken the form of institutional subsidies paid directly to public institutions, which allowed them, in turn, to charge tuitions that were much lower than full costs. Additionally, around a dozen states had invested in student aid funding that was targeted to the lowest income students and was designed to enable students to attend private colleges in those states. Institutional subsidies have now changed. Over the last two decades, higher education institutions have witnessed both a slow decline in this subsidy revenue source and its gradual replacement by tuition revenues. Yet the states have not systematically reevaluated their strategies for state aid to recognize the new funding environment.

Recent patterns of growth in state aid, statewide reporting practices, and administrative and governing structures for state aid are included in this report. State-funded aid has increased in almost all of the states, in part because of growth in merit or special purpose aid programs, not in need-based aid. There are some exceptions: California has greatly expanded funding for need-based aid, as has Texas. In Minnesota, grant aid increased by only 2 percent while public tuitions grew by 25 percent. Funding for need-based aid also has eroded in Illinois, a state that historically has protected need-based aid. Vermont saw tuitions climb from 15 percent to 29 percent while the state allowed per-student grant aid to remain static.

This report calls upon the states to develop coordinated, statewide policies for administering, funding, and evaluating student aid, to

- Rationalize state financial aid policy in the larger context of state funding, including institutional subsidies
- Reaffirm and if necessary recast purposes and priorities for state-funded student aid
- Integrate state aid with state tuition policies
- Connect funds with goals for student aid; and
- Avoid special-purpose programs.

Accounting for State Student Aid:
How State Policy and Student Aid Connect

Introduction

This report focuses on two main issues in state student aid: 1) the ways that states are using state-funded student aid in the current funding climate, and 2) whether and how states are adapting their policies and accountability structures for state-funded aid. State policies and accountability strategies for student aid are examined in eleven states: California, Florida, Illinois, Minnesota, New Jersey, New York, Ohio, Texas, Pennsylvania, Vermont, and Virginia. These states were selected because they are making some of the largest investments in state-funded aid, and because they represent a cross-section of approaches to the governance and administration of student aid.

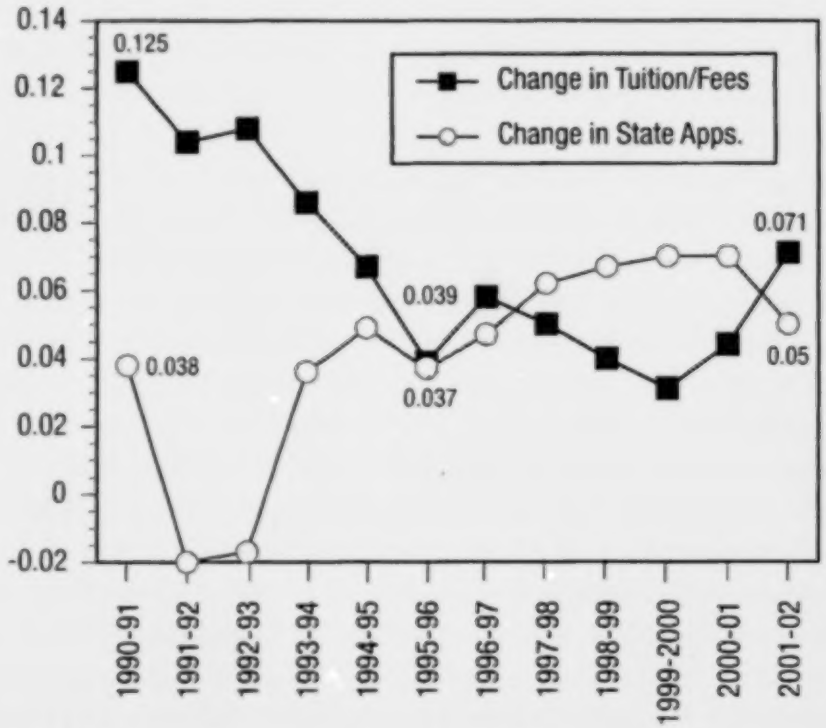
Research for this report was accomplished by reviewing the published literature on the structure of these eleven state-aid programs, including annual reports, budget submissions, evaluations of effectiveness, and state accountability reports. Profiles for each of the states were developed and used as the basis for interviews with officials from each of the states to learn more about their approaches to aid. Profiles of each of the surveyed states are included in the Appendix.

Opening with a general discussion of trends in state funding for student aid and rising college tuitions, the report then summarizes the findings from the survey of states and concludes with recommendations for state policymakers.

Trends In State-funded Student Aid

State spending on student aid is one of the fastest growing expenditure areas in higher education. Funding for state-funded grant aid has doubled in real terms over the last decade, and now constitutes 6 percent of total aid (College Board 2002). These figures probably understate the commitment of state resources to student aid, as they do not include tuition waivers and some types of state institutional aid. The growth in state aid

CHANGE IN RESIDENT UNDERGRADUATE STUDENT CHARGES AND STATE APPROPRIATIONS, PUBLIC COLLEGES AND UNIVERSITIES, 1990–91 TO 2001–02



Source: AASCU/NASULGC 2001

has been part of a larger trend toward increased privatization of higher education, as public funding to the institutions has slowly declined and tuitions have increased. Between 1986–87 and 1996–97, there was roughly a 10 percent drop in the proportion of total revenues going to public higher education institutions from state and local sources, while the portion derived from student tuition increased. Nationwide, in-state undergraduate tuition and fees at public four-year institutions increased 42 percent between 1990–91 and 2000–01, and by 26 percent in the public two-year institutions, after adjusting for inflation (NCES 2001a). Several studies on the reasons for the rising prices have concluded that the single, biggest reason for the increase is cutbacks in state funds, rather than an explicit change in state tuition policies or increased internal spending within institutions. (Davis 1997; NCES 2001b).

Tuition increases explain only part of the reason for the increase in state-funded student aid. Several studies have shown that in some states the majority of growth in state-funded aid has

been for merit aid, rather than need-based aid. The trend toward more spending for merit aid began with the Georgia Hope Scholarship program, which has been imitated in several other states. Early research on these programs criticizes merit aid as an inefficient, inequitable way to pay for higher education, since states are funding students who would likely attend college without the aid (Heller and Marin 2002). Nonetheless, these programs are proving to be politically attractive. Opinion polls also show that the public favors funding for grant aid when it is attached to some responsibility for service (Immerwahr 2002).

The long-term trajectory for state funds suggests that the shift away from institutional subsidies toward tuition revenues is likely to continue. Studies by the National Center for Public Policy and Higher Education (Hovey 1999) show that thirty-nine of the fifty states face long-term, structural deficits in state revenue capacity to pay for higher education and other demands on state budgets. Decline in revenues will come at the same time that many states expect to see double-digit increases in enrollment for postsecondary education – just from recent high school graduates. If the trend toward increased enrollments for continuing and adult education is taken into account, demand for new enrollments will be even greater, putting more pressure on states to find the resources to maintain access to higher education.

Continued growth in tuitions should pressure states to reexamine their historic policy approaches to tuition and state-funded student aid, although, if the recent past proves to be a prologue, this re-examination will be incremental rather than part of a planned state policy. Public sector tuition policies are typically afterthoughts of state appropriation practices, rather than explicit, enforced strategies to balance revenue needs with priorities to maintain student access.

Most states have designed and built public higher education systems around low tuitions to protect student access, so that the bulk of student costs of education are financed with public monies, not tuition revenues. Subsidies are highest in the public research universities (the most selective in student admissions), and lowest in open access community colleges (Stringer et al. 1999). The share of education costs borne by the student varies by institutional type and state. Nationwide, in 1997–98, student tuition revenues made up an average of 24 percent of education and general revenues per student in public research universities, 31 percent in comprehensive colleges, and 21 percent in community colleges (NCES 2001b). Because research universities attract the highest income students, who also are most likely to meet higher admissions requirements, these subsidy patterns mean that the largest public subsidies go to institutions with the wealthiest as well as the best-prepared students. This is one reason why economists have argued that "low tuition" policies designed to promote low-income access are inefficient and inequitable ways to distribute public subsidies. Instead, they favor allowing tuitions to more closely approximate the cost of education, and targeting need-based student aid and public subsidies to the neediest students (Fischer 1990; McPherson and Schapiro 1991).

Up to now, Vermont has been the only state that explicitly embraces a "high tuition/high aid" strategy as the basis for state tuition and aid policy. The Vermont "experiment" (if it can be called that) has not helped to sell the tuition/aid principle, because the state's commitment to need-based student aid has not been consistent. This lack of consistency has led many to conclude that the "high-tuition/high-aid" approach is an attractive, but hypothetical, construct of little practical value. Even so, discussions about some form of changed subsidy policies using tuition accompanied by aid are taking place in states that are projecting long-term, structural deficits for institutional funding and are concerned about expanding access capacity for growing student populations. Several years ago, a ballot proposition was circulated (unsuccessfully) in Minnesota that would have recast state subsidies for higher education away from institutions in the form of student vouchers, with all students receiving the same basic voucher from the state. In the 2002–03 budget sessions in three more states – North Carolina, Texas and Colorado – state legislators are debating the possible merits of changing tuition and aid strategies as a way to cope with long-term, structural budget deficits. In Colorado and Texas, discussions are centering on a possible voucher strategy, whereas in North Carolina, legislators are debating income-based tuition policy. Moving to voucher strategies would constitute a radical change in historic practices for funding higher education and such changes do not occur overnight. Nonetheless, the magnitude of long-term funding and access problems means that these kinds of discussions will probably become more prevalent in the next few years.

State Profiles

Profiles of the policies and accountability strategies for student aid programs in eleven states are included in this report. The definition of "state student aid programs" includes all programs that are statutorily authorized at the state level, and paid for with tax revenues from state, local, or public institution tuition sources, tuition or fee revenues, and including lottery funds. Although the primary interest of this analysis has been to learn more about how need-based grant programs are managed, other strategies these states are using to approach student aid, including merit aid, occupationally-targeted aid programs, tax credits, savings programs, and prepaid tuition policies also were documented. The data were expected to reveal instances where student aid is an explicit part of the states' larger funding strategies for higher education, and to show how states are evaluating the relative effectiveness of different types of aid. See Table One for an overview of the findings.

Development of the eleven state profiles was accomplished in several stages. First, published data sources – including the annual survey of state programs conducted by the National Association of State Student Grant and Aid Programs (NASSGAP), as well as state-based data from accountability reports, student aid commission reports, budget documents, and other sources – were used to create an initial listing of the different types of statewide student aid programs in each state. These initial descriptions were used as the basis for interviews with officials from each of the states (from coordinating agencies, student aid

commissions, or both) to learn more about their approaches to aid. Each state official was asked questions about:

- Number of statewide aid programs of all kinds, including tuition or fee waiver programs that are monitored or managed at the statewide level
- Student aid growth patterns, including need-based aid in relation to tuition, merit aid, and other types of aid
- Program goals, performance indicators, or other measures of success
- Role of "choice" in student aid
- Criteria for student eligibility for need-based aid
- State tuition policies and practices
- Program administration for student aid – is it centralized or decentralized; and the
- Basis for determining award levels and means of funding the programs.

The information gleaned from these interviews was used to improve and expand upon the data in the initial state profiles; the revised profiles were then shared with the state officials. The final profiles for each state therefore take into account the suggestions and revisions proposed by state officials and include the most recent and accurate available data.

The sections below summarize the findings from the state profiles. The detailed profiles are included in the Appendix to this report.

Growth in Aid

Resources for state-funded student aid programs are growing in almost all of the surveyed states, although most of the growth can be attributed to either "merit-based" or special-purpose aid, rather than need-based aid. Table Two, below, is a snapshot of the last decade's changes in tuition compared to total state grant aid per student in the profiled states that shows funds for student aid growing much faster than public or private sector tuition increases. Among these states, the biggest growth in student aid has been in Florida, Ohio, Texas, California, and Virginia, all in merit programs – or, in the case of Texas and California, a combination of need and merit aid. In New York, state grant aid has risen proportionately to increases in public sector tuitions, which is consistent with New York's policy that uses need and public tuition levels as the basis for its aid entitlement program.

Minnesota is an anomaly, with state grant aid increasing only by 2 percent, in contrast to tuition increases of around 25 percent in all sectors. Minnesota's program also has been treated as an entitlement, based on the shared responsibility formula, and is described in more detail in the Minnesota state profile in the Appendix. This slower growth in grant aid per student may indicate a shift in student enrollments from independent institutions to the lower-priced public sector.

TABLE ONE: CHARACTERISTICS OF EACH STATE'S PRIMARY STATEWIDE, NEED-BASED PROGRAM

State	Basis for Award	Statutory Funding	Administration Mechanism	Institutional Eligibility	Basis for Maximum Award	Funding Levels/ # Awards
California *(Cal Grant)*	Need and merit (modified FM[1] GPA) at least half-time	Statutory entitlement to program (not student)	Centralized	Public, Private and non-profit in one program	Publics: maximum tuition & fees; Privates: average state cost per student in public 4-years (Private maximum now $9,708)	$481 million 126,360 awards
Florida *(Student Access Grant)*	Need, modified FM	Annual appropriations, no entitlement	Decentralized, 3 programs targeted to 3 sectors	Separate programs for public, private non-profit, an postsecondary including proprietary	Determined by annual appropriations; currently maximum $1,300 public four-year	$65.4 million 67,230 awards
Illinois *(Monetary Award Program)*	Need, all students (including less than half-time)	Annual appropriations	Centralized	Public, private non-profit & for-profit	Limited to tuition and fee amounts only	$348.6 million 139,000 awards
Minnesota *(Minnesota State Grant)*	Modified FM, shared responsibility formula, part-time as well as full-time	Annual appropriations, treated as entitlement	Centralized	Public, private non-profit & for-profit	Award levels are determined by shared responsibility formula	$123.2 million 65,246 awards
New Jersey *(Tuition Assistance Grants)*	Need modified FM, 12 units or more	Forward-funded, annual appropriations	Centralized	Public & non-profit only	Maximum tuition/fees in publics; maximum in privates to approximate cost to state per student in public 4-years, currently $7,242	$164.3 million 60,000 awards

Note: For further detail on these programs, see the Appendix.
[1] FM = Federal Methodology

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TABLE ONE: CHARACTERISTICS OF EACH STATE'S PRIMARY STATEWIDE, NEED-BASED PROGRAM

State	Basis for Award	Statutory Funding	Administration Mechanism	Institutional Eligibility	Basis for Maximum Award	Funding Levels/ # Awards
New York *(Tuition Assistance Program)*	Income, full time undergraduate	Individual (student) entitlement	Centralized	Public and private non-profit	Maximum public 4-year tuition and fees for both publics and privates	$636 million 342,000 awards
Ohio *(Ohio Instructional Grant)*	Income and family size, to full-time undergraduate only	Annual appropriations, no entitlement	Centralized	Public, private non-profit & f dor-profit	Set in budget on an annual basis; currently $5,160 independents; $4,374 proprietary, $2,070 publics	$84.3 million 74,102 awards
Pennsylvania *(PA State Grant Program)*	Modified FM, undergraduate half-time or more	Annual appropriations, no entitlement	Centralized	Public, private non-profit & proprietary	Lesser of: 40 percent of need or 80 percent of tuition and fees	$323 million 163,597 awards
Texas *(Public: TEXAS Grant; Private: Tuition Equalization Grant)*	Need/merit, modified FM	Annual appropriation; no entitlement	Centralized	Separate programs for different sectors	Tuition and fees in public institutions only	Public: $120 million 50,000 awards Private: $82 million 26,000 awards
Vermont *(VT Incentive Grants)*	Need, modified FM, full-time only	Annual appropriations	Centralized	Public, private non-profit & proprietary	Goal to cover tuition and fees in public institutions for needy students; currently maximum covers 85 percent/tution & fees at U Vermont	$12.9 million 9,001 awards
Virginia *(Public: Commonwealth Award; Private: VA Guaranteed Assistance Program)*	Modified FM for publics, part-time students are eligible; privates students do not need to demonstrate need, and must be enrolled full-time	Annual appropriations, no entitlement	Decentralized	Public/Non-profit in separate programs	Publics: maximum tuition & fees; Privates, individual campus decision	Public: $36 million 34,000 awards Private: $27 million, 11,200 awards

Table Two: Changes in Tuition and State-Funded Grant Aid in the Past Decade

ADJUSTED FOR INFLATION

State	Pub. 2 Yr Tuition (% Change)	Pub. 4-Yr Tuition (% Change)	Pvt. 4- Yr. Tuition (% Change)	State Grant Aid Per Student (% Change)
California	+24	+2	+18	+56
Florida	+24	+18	+27	+116
Illinois	+13	+27	+31	+37
Minnesota	+29	+24	+26	+2
New Jersey	+21	+47	+20	+37
New York	+10	+11	+24	+13
Ohio	+4	+32	+26	+62
Pennsylvania	+14	+22	+28	+44
Texas	+29	+63	+35	+334
Vermont	+29	+15	(1)	(4)
Virginia	+25	+10	+27	+202

Note: For tuition and fees, years are 1990–91 to 2000–01 for private institutions, 1992–93 to 2001–02 for public institutions; for state grant aid, years are 1989–90 to 1998–99.
Source: NCPPHE 2002

Vermont – the state with a "high tuition/high aid" policy – has decreased per-student funding for grant aid, despite tuition increases of 15 percent and 29 percent in the public sector. Private sector tuitions in Vermont did not increase faster than inflation during the last decade, which may account for slightly lower demand for grant-aid.

Number of Programs

All of the surveyed states manage several statewide aid programs: Minnesota, with only four different programs, manages the least number of programs; Florida, with twenty-seven different programs, manages the most. Six of the eleven states (California, Florida, New Jersey, Ohio, Virginia, and Texas) have increased the merit components in state aid in the last five years, either through new merit-based programs or by increasing merit dimensions to need-based programs. In California and Texas, changes in aid have followed a major re-writing of student aid policies, with an explicit intention to fuse merit with need in a redesigned program. Increases in merit aid in the other states were made as add-ons to current policy, unaccompanied by a reexamination of the core purposes of need-based aid. Illinois, New York, and Vermont historically have maintained relatively small merit programs, such as scholarships to the highest performing high school

seniors. Pennsylvania and Minnesota alone in this sample of states do not have statewide merit-based student aid programs.

Merit aid is not the only reason for the growth in student aid: all of the states have added small, categorical programs designed to serve specific populations, through loan-forgiveness, tuition waivers, or other forms of incentives. These are particularly popular in professions such as teacher education and nursing. There are also several scholarship or loan-forgiveness programs designed to reach dependents of peace officers killed in the line of duty, and several states have added small programs funded from sales of license plates. These types of programs are all the result of special legislation, and do not grow out of a larger state strategy for targeting aid to achieve specific purposes. As the state profiles show, there is little evidence that categorical programs are evaluated systematically for effectiveness (by any definition of effectiveness) once in place.

Tuition Waivers and State-Funded Institutional Aid

The featured eleven states are not consistent in the way they account for state-funded aid, so numeric comparisons among them are misleading. The biggest discrepancies lie in the ways the states account for tuition waivers and public sector institutional aid. Tuition waivers amount to lost revenue from tuitions, which would otherwise go into the general fund. As such, they cost money to the institutions and states in lost revenue, much the way that "tax expenditure programs" (otherwise known as loopholes) do. With the exceptions of California and Texas, most states do not account for these additional funds at the state level, and may not label them "state financial aid" programs.

California tracks expenditures for public sector, state- or fee-funded institutional aid, although it is not managed at the statewide level; it does not similarly track expenditures from tuition waivers. The design of the California programs make them analogous to "tuition discounting" in private institutions – a phenomenon that is common in the private non-profit higher education sector, but not well documented in public institutions (Lapovsky 2001).

California is now spending close to $340 million annually on institutional aid, two-thirds the size of the statewide Cal Grant program. Unlike the Cal Grant program, however, these grants are not all distributed to needy undergraduates: they are also a major source of grant aid to graduate students, particularly in the University of California system. Texas does not have the same type of state-funded institutional aid, but it does account for tuition waivers at the statewide level, and it includes reports on tuition waivers in statewide student-aid evaluations. Since the other states do not account for public sector tuition waivers at the state level, it is difficult to see if they are, in fact, spending less or more than Texas on this strategy.

In Texas, tuition waivers account for an estimated $135 million annually (largely in foregone income rather than in appropriated expenditures), making them the single biggest source of "aid" in the state, larger even than the combined TEXAS programs. How these resources are

meeting state priorities, or how they factor into subsidy strategies for higher education cannot be determined, since student eligibility criteria are determined at the institutional level in Texas' decentralized governance structure.

Governance and Administration of Aid

The majority of the surveyed states manage statewide programs through a centralized application/award structure, with all students applying to a single state agency for grants. Two states are decentralized – Virginia and Florida – with eligibility and award criteria set at the state level, and applications and awards made directly at the institutional level. Both of these states also have separate programs for students in private institutions so a centralized program to reach students in these institutions is not needed.

The governance and oversight structure for student aid is essentially separate from other aspects of higher education finance in most of these states, although they may work closely with other state agencies. California, Illinois, Minnesota, New Jersey, New York, Pennsylvania, Vermont, and Texas – the majority of the surveyed states – have an independent state agency that is responsible for the governance and oversight of aid. These student aid agencies typically have a board or advisory committee selected to represent the different interest groups associated with the aid programs (for example, someone from the loan industry, a representative of the independent institutions, a proprietary school representative, someone from the public two-year sector, and representatives from the public four-year institutions). In Ohio, Florida, and Virginia, aid is administered by the statewide coordinating or governing boards, which are sometimes a division within the larger state agency. In two of the states with separate student aid commissions, the executive director of the aid group sits as a member of the state coordinating board. Most other agencies report that there is significant collaboration between the aid commission and the coordinating board, except in Minnesota and Pennsylvania, where there are no statewide coordinating boards. In addition, six states (California, Pennsylvania, Florida, New York, Vermont, and Virginia) have established independently incorporated, state-affiliated entities as part of their student aid administration.

Program Goals, Performance Indicators, and Evaluations

All of the states cite access to needy students and choice as the combined goals for their need-based grant aid – essentially the same goals these programs have had since their inception. California, New York, and Minnesota – three states where grant programs operate as entitlements – additionally have set in statute specific criteria that shape the basis for student eligibility for grants, by specifying the relationship between need and aid. By funding aid as an entitlement, these states effectively have committed to funding of need-based financial aid as a priority that will be met ahead of other calls on state funds.

None of the other states have sharply stated criteria for awarding need-based aid, and do not have funding mechanisms to ensure that aid is funded. Interviews with state officials indicate

that state policymakers are reluctant to move in this direction, because the funds are not available to accomplish all purposes equally, and different sectors have competing goals for student aid. Deliberately vague goals and uncertain funding mechanisms in turn mean that evaluations of the effectiveness of aid programs are somewhat self-referential: if students are applying for and receiving aid based on established criteria, then the programs are meeting their goals. Whether the criteria are the "right" ones, or whether the aid is making a difference in ensuring access and choice, is harder to determine.

Merit aid programs in these states are not ambiguous about either purpose or criteria for public accountability. In merit aid programs, goals for performance are clearly defined: improve college preparation by tying aid to high school coursework, grades, and test scores. Goals are grounded in the policies and purposes of the standards-based reform movement, as part of a larger agenda to improve college preparation and attendance. In political terms, this means that a constituency of support for merit aid programs extends well beyond the student-aid community. The clear goals of merit-based programs should make them easier to evaluate simply by looking at trend data on student course-taking patterns and college-going rates as well as data on aid awards. This does not mean that merit programs in the surveyed states have been systematically evaluated and shown to be "working" – in large part because the programs are all relatively new. In fact, other research suggests that state-funded merit awards for students who would attend college without them may be contributing to increased student tuitions. Nonetheless, merit programs have purposes that readily translate into public performance measures, a fact that probably contributes to their current political popularity.

In eight of the states – New Jersey, Ohio, and Virginia are exceptions – evaluations of student aid are performed by the student aid commission, rather than by an independent agency such as a coordinating board, legislative auditor, or analyst. Perhaps because of this, the evaluations do not address how state-funded student aid fits into other subsidy strategies to meet state goals in higher education. Even in New Jersey, Ohio, and Virginia, assessments of trends in base funding for institutions are prepared separately from trends in student aid analyses. This means that no one is looking at broad patterns of institutional – as contrasted to student – subsidies for higher education. Nor are they looking at the relative role of state general funds versus student tuition-funded aid in meeting broad public priorities.

Criteria for Measuring Student Need

Although all the profiled states make a commitment to 'need-based aid,' the different definitions of "need," accompanied by other restrictions on eligibility for aid (such as requiring students to attend full-time) shade the plain meaning of the word "need" in a number of ways. There is substantial variation in the way the different states define and use student "need" to determine eligibility for need-based aid. Financial need is not the sole criterion for determining eligibility for aid; most states also require students to attend at least

half-time or even full-time to be eligible for aid. All but two states – New York and Ohio – measure need using a modified form of federal methodology, which means using some assessment of family income, institutional tuitions, and student living expenses.

Measurement of need serves four distinct purposes in the surveyed states: 1) it is the basis for determining student eligibility for the programs; 2) it is used to determine award levels; 3) it is used to estimate funding requirements for the programs; and 4) it is the criteria for evaluating the effectiveness of the programs. New York and Ohio are different: they define "need" simply in terms of family income and family size, which means that cost of attendance, including tuition, is not a factor in determining financial eligibility for aid. Both New York and Ohio determine award levels based on the institutional costs of attendance and student enrollment status, with higher levels going to students attending full-time at high-tuition institutions. Two states – California and Texas – manage large programs that blend need and merit, further confusing the vocabulary traditionally used to characterize different types of aid.

The Role of "Choice" in Student Aid

The states differ in how they use student aid to enable student "choice" to attend private, non-profit, or proprietary institutions. The majority of states maintain comprehensive programs that are accessible to students in both public and private institutions, and then provide higher awards to students in independent institutions through cost-based means of measuring student need, and/or through tuition-sensitive award formulae. Costs are managed in the programs by capping award maximums, typically through limits in the annual appropriations bill. Both California and New Jersey set their maximum awards for students in private institutions at a level that approximates the average cost that the state would otherwise pay to subsidize students in a public four-year institution. This policy produces some of the highest maximum awards for students in private institutions: $9,708 in California, and $7,242 in New Jersey. Minnesota's grant maximums are determined entirely by their "shared responsibility" formula, which generated a maximum award of $7,651 in 2001–02 for needy students in Minnesota independent institutions. Virginia and Florida both have separate programs for private non-profit students, and Texas and Ohio maintain separate programs for students in private non-profit schools while allowing these students to apply for some state grants as well. The Ohio, Virginia, and Florida programs are all designed to reduce tuitions in independent institutions, but do not require awards to be based on need. New York caps its private sector aid awards at the maximum tuition and fee levels in public institutions.

Basis for Determining Award Levels

Three of the states – California, New York, and Minnesota – fund need-based grant aid as an entitlement. New York's is the only legal entitlement to the individual; both Minnesota and California entitlements are treated budgetarily, although the law allows the programs to be funded at lower levels in the event of budget shortfalls. Students who meet the states' eligibility criteria receive grants based on their need, and full funding at the level of need is guaranteed, in statute. In the other states, award levels are essentially

determined after the final budget decisions are made. These states create budget requests for aid using historic application and award data, factoring-in estimates of increased need that may be attributable to tuition increases. If tuitions go up after the requests are made or if funds are not appropriated to fully meet requested levels, the awards are adjusted downward. New Jersey forward-funds its grant programs so adjustments are less likely in that state. The authority to make decisions on reducing awards typically resides with the student aid commission.

Conclusions and Recommendations

State-funded student aid is growing, and all signs point to its continuing growth. Examples from the states profiled in this paper show that student aid is clearly evolving from need-based aid designed to provide both access and choice, to multi-purposed aid that strives to address a number of different goals. These states are using aid as a tool to connect K–12 reform to higher education, by increasing academic preparation for college in high school students, and by encouraging students to enroll in higher education in-state. Some of them are also beginning to use aid as a companion to changed public sector tuition policies, by allowing tuitions to go up while simultaneously investing more in aid. The shift toward state aid as part of a changed funding strategy is incremental and ad hoc, and not part of a larger plan to change historic policies for institutional subsidies. Base institutional subsidies are being maintained, and new resources are being provided in tuition, need-based aid, and merit aid. Whether this overall type of subsidy strategy is consistent with the eleven states' long-term priorities, is not explicit. What is clear is that the eleven states, for the most part, are continuing to manage and evaluate student aid as a categorical program – a supplemental strategy designed to complement core strategies, but not systematically integrated into other funding policies. The essentially separate, administrative and oversight function for student aid, with its strong presence of institutional and sector interests embedded in the governance structure, may contribute to a continuing separation from other aspects of state policy.

The proliferation of programs, and the often-convoluted criteria for establishing student eligibility, creates another problem for state-funded student aid: it is, monumentally, "user-unfriendly." The diffuse purposes for student aid and the complicated application procedures are bound to be confusing to the putative client base for student aid – for example, students and their parents. Students wanting to know what kind of aid is available, and whether or not they are eligible for it, need to be aggressive and sophisticated to penetrate the complicated regulatory and administrative apparatus surrounding student aid. College pricing, and the increased prevalence of tuition discounting, means that higher education is starting to be priced like the airlines, where prices are based on market, load, and timing, and where consumers have no way to predict what prices will be when they might want to fly. Complex college pricing and obfuscated student aid programs and procedures are bound to erode public confidence in a system that needs transparency and accountability underpinning its base of political support.

Recommendations

① **Rationalize state financial aid policy in the larger context of state funding, including institutional subsidies.** Funding for state-funded student aid should be grounded in a larger framework of state funding policy, including the role of institutional subsidies in contrast to funding through different types of aid. Accounting – and accountability – for state student aid should be integrated into the larger framework of subsidy analysis for public institutions. States should design accountability structures that allow them to ask and answer the basic questions about higher education subsidy and pricing articulated years ago by the Carnegie Commission on Higher Education (1973). These are: "Who pays? Who benefits? Who should pay?" The separation of student aid from other aspects of state financing obscures rather than highlights these issues in all of these states. State funding for student aid is a subsidy strategy, designed to match policy goals with funding mechanisms. All publicly supported aid programs – including public sector tuition waivers and publicly funded institutional aid programs in public institutions – should be accounted for in state aid evaluations. Without that information, states will continue to conduct audits with blinders on, and fail to see the forest for the trees.

② **Reaffirm purposes and priorities for state-funded student aid.** States that have not already done so should engage in a fresh discussion of how they want to use student aid in the future, and design policies with clear goals that can serve as a basis for public accountability for student aid. In some instances, this may lead to a systematic overhaul of the administrative and accountability structures for state-funded student aid. This conversation needs to involve the governor, the legislature, and the coordinating or governing boards, and should not be confined to traditional student aid interests. Multiple strategies using different types of aid are perfectly legitimate as part of this discussion, so long as the different goals are clearly defined and routinely evaluated for effectiveness. The work should include attention to the role of need-based aid, the basis for measuring need, and the role of aid in subsidizing choice to attend independent institutions. Funds and policies associated with public sector tuition waivers and publicly funded institutional aid should be part of the equation. Governance and the administrative apparatus for delivering aid also deserves another look to ensure that it is integrated into other aspects of policy, planning, and oversight of higher education. States that traditionally have had centralized delivery systems should consider the possibility of decentralizing delivery of aid, since this structure might be superior in current circumstances.

③ **Integrate state aid with state tuition policies.** There need to be connections between public sector tuition policies and the funding of student aid. States should ensure that funding for aid increases when tuitions increase. The amount of new need generated when tuitions increase will vary by sector and type of student served; institutional funding formulae need to take this into account.

④ **Connect funds with goals for student aid.** Too many state aid programs are built on ambiguous and ambitious goals disconnected from funding realities that ensure priority

funding. The result is that aid is frequently "rationed" through various mechanisms that reduce awards to meet available funding. Needy students cannot presume that the aid will be there when they need it, thus confounding one of the purposes of need-based aid. To ensure that funds for aid are stable and predictable, budget mechanisms that protect the stability and priority for aid should be created. This can be done through special trusts for student aid, by forward-funding aid, or by funding aid as an entitlement.

⑤ **Avoid special-purpose programs.** Student aid is a particularly attractive vehicle for special interest attention and legislative add-ons to higher education. There is almost no evidence that these special programs work well, and once the programs have been added to the state's aid portfolio, they are rarely evaluated. Unlike "merit" programs, special-purpose and occupational aid programs collectively do not account for much of the growth in funding of student aid, so there is no basis for concluding that they are diluting resources from other, higher priority purposes, despite the clutter they bring to the structure of student aid. States should eliminate special interest and occupational programs unless there is compelling evidence that the programs have been effective. Legislation to add new programs should be accompanied by a requirement for an evaluation and a sunset clause after five years.

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APPENDIX: The States

California

Florida

Illinois

Minnesota

New Jersey

New York

Ohio

Pennsylvania

Texas

Vermont

Virginia

CALIFORNIA

Population (1998): 33,145,121 (1st in the U.S.)[1]

Headcount Enrollments (1997): 1,732,607 undergraduate; 226,593 graduate and professional

Public 4-year

23 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $1,897

Public 2-Year

66 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $330

Private 4-Year

9 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $18,091

Private 2-Year

2 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 52 percent

Projected % change in high school graduates 1999–2010 : +21.3

School-age children in poverty (1995): 25 percent

Statewide Governance of Postsecondary Education

California has a decentralized, segmental state governance structure, with three statewide boards for the three public sectors – the University of California (public research institutions), the California State University (comprehensive public institutions), and the California Community Colleges. The statewide boards for the University of California and the California State University are governing boards, whereas the state community college board shares governance responsibilities with locally elected community college boards. State planning, data reporting, and coordination are managed through several state agencies: the California Postsecondary Education Commission, the state planning agency for postsecondary education; the Legislative Analyst's office, budget and policy advisor to the California Legislature; and the California Educational Roundtable and its subsidiary agency, the Intersegmental Coordinating Council (ICC). The Roundtable and the ICC address issues of student access and flow across the systems, with a particular focus on student academic preparation and transfer. California also has a history of sponsoring comprehensive, statewide planning exercises roughly once a decade, either through short-term planning commissions or legislative joint committees, or through both.

[1] Tuition and fee data for all state profiles are from NCPPHE (2002); other contextual data are from NCPPHE (2000).

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Administration of Aid

State student aid in California is administered or coordinated under the aegis of the California Student Aid Commission (CSAC), a statewide governing and coordinating board for student aid. CSAC consists of fifteen appointed members. Eleven of the commissioners are appointed by the Governor and represent segments of the State's higher education community, students, and the general public. The Speaker of the Assembly and the Chair of the Senate Rules Committee each appoint two members as representatives of the general public.

CSAC was created in 1955 to administer the state's Cal Grant program, a need-based grant program which at that time was intended primarily to provide scholarship assistance to students in California's independent colleges. CSAC currently is the central administrator for the state Cal Grant programs, two loan forgiveness programs for prospective teachers, a small law enforcement scholarship program, and the Cal SOAP program, an early intervention program. A nonprofit auxiliary to CSAC, the EDFUND, is the state's loan guarantee and administrative agency. CSAC also administers a number of student-oriented programs designed to provide financial and academic preparation information to junior and high school students. It conducts policy analysis and research on other aspects of student aid for administratively decentralized federal and institutional aid programs, including the student-fee-funded institutional aid programs in the public institutions and federally funded aid. The Governor's Scholars and the state's college savings program are administered by a separate agency, the Golden State Scholars/Share program.

Public Tuitions and State Aid

California historically has been a low-tuition state, and remains so by national standards, despite recent increases in public sector tuitions. Student fee policy is based, roughly, on "Carnegie Commission" principles, meaning that students in the research universities are charged at a higher rate than in the comprehensive institutions, and community colleges are almost free. Statewide tuition policy prohibits resident student charges from being used to pay for the direct cost of instruction. As a result, resident student charges are termed "fees" rather than tuition, and by law must be spent on student services and financial aid. In reality, institutions manage resources flexibly, so as a practical matter these distinctions are lost. Nonetheless, the fiction of differentiation is maintained, in policy. A portion of mandatory, statewide student fees charged to students at the University of California, the California State University, and the Community Colleges is used as a revenue source for institutional student aid programs for students in these institutions. Public student-fee law also specifies that state funding for student aid increase when public sector tuitions increase, both in the centrally administered Cal Grant program and in the sector-specific, student fee-funded programs. Between 20 to 30 percent of new fee revenue is automatically directed to institutional aid rather than to general institutional support. Student fee-funded institutional aid funds are used to supplement Cal Grant awards and to pay for student tuition waivers. The governing boards determine eligibility for institutional aid; in the University of California, the majority historically has gone to graduate student-fee waivers. As tuitions have

PROGRAM	PURPOSE	2000–01 AWARDS/$
Cal Grant entitlements	Need/merit grant aid to enable access, choice, and improved academic preparation and college-going for poor students. Eligibility is measured via GPAs/test scores and financial need. There are 4 different programs: A (primarily four-year institutions), B (lower GPA than A primarily in two-year institutions), C and T (for vocational/technical students)	126,360/$481.3 million
Cal Grant Competitive Grants	Need-based grant aid to high performing students	22,500/$48.0 million
Assumption Program of Loans for Education	Loan assumption/forgiveness for students going into teaching	4,400/$20.3 million
Governor's Scholars	Merit awards for highest performing high school students	2,400/$4 million
Public sector institutional aid	Financial aid to undergraduates or graduate students, through fee waivers or grant awards	596,264/$340 million (99-00)

increased in the last decade, the size of the fee-funded institutional aid programs has likewise grown, to close to $340 million statewide-compared to approximately $600 million spent in 2000–01 on centrally-administered state aid programs.

The Cal Grant Program

The Cal Grant program, the major, statewide need-based grant program, has existed since the 1960s, when its primary purpose was to promote choice of a California independent college for needy students. Since, the purposes of the program have changed to promote improved academic preparation and college attendance for low-income students as well as access and choice. California expects significant excess demand for higher education in the next decade. They have as a result looked at ways to improve capacity available in the independent sector along with planning for expansion in the public sector. Since the State Constitution prohibits direct appropriation of funds to independent institutions, the Cal Grant award is the state's primary policy vehicle to encourage student choice.

Until 2000, Cal Grant was managed as a competitive awards program, with award criteria determined annually by the Student Aid Commission based on funding availability and applicant demand. In 2000, the program was changed to become an entitlement to students, meeting both financial need and academic merit eligibility criteria. The state also maintains a separate competitive grant program designed to serve students who graduated from high school more than nine months ago and/or are more than twenty-three years of age; need and grade-point eligibility for the competitive grant program are otherwise similar to the entitlement program.

There are five different awards within the Cal Grant program: Cal Grant A (tuition and fee coverage only, primarily directed to four-year students); Cal Grant B (oriented more to

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community college students, provides subsistence grants to first-year students); Cal Grant C (coverage for educational costs for students in vocational programs); and Cal Grant T (oriented to candidates for teaching credentials). All Cal Grant applicants must be California residents, US citizens or eligible non-citizens, meet U.S. Selective Service requirements, attend a qualifying California postsecondary institution, be enrolled at least half-time, maintain satisfactory academic progress as defined by the school, and have family income and assets below the established ceilings. Applicants also must not be in default on any student loan nor owe any federal or state grant refund.

- Cal Grant A: The Cal Grant A award provides full tuition and fee coverage for public sector students or $9,708 for students in independent institutions. The maximum award for students in independent colleges is roughly based on a state policy that sets these levels to approximate the average cost to the state to educate a student in a public four-year institution. Students in the A program must have a 3.0 minimum grade-point average, meet income and asset levels, and demonstrate financial need using the FAFSA (the federal Free Application Form for Student Assistance). The income ceiling for a dependent student in a family of four is $66,200, and the asset ceiling is $51,200. Students are defined as financially needy if the difference between the cost of attendance and the Expected Family Contribution measured by FAFSA is at least $1,500.
- Cal Grant B: Students must maintain a 2.0 grade-point average for the B award program, which provides supplemental living expenses for a first-year student.
- Cal Grant C: assists Community College vocational students with grants of $456 for books, tools, and equipment; maximum awards can go to $2,592 for students in private vocational institutions. Students must meet basic eligibility requirements and demonstrate financial need using the same criteria as the Cal Grant A and B programs.
- The California Community College Transfer Award is offered to California Community College students who were not awarded a Cal Grant within a year of graduating high school, but who meet certain requirements at the time of transfer from a California Community College to a qualifying institution offering baccalaureate degree programs.
- Cal Grant T Award is a need-based program that provides tuition and fee assistance to low- and middle-income students who are enrolled in an accredited, California teacher preparation program. Need is measured using the same criteria as the other Cal Grant programs. Awards are for teacher credential candidates with a baccalaureate degree who plan to attend a teaching credential program. Awards are to be used only for tuition and fees for a maximum of one academic year of full-time attendance. As a condition of receiving a Cal Grant T, a recipient must teach for one year at a low-performing school for each $2,000 of award money received, for a maximum period of four years. The award maximums for 2000–01 were $1,506 at the CSU system, $3,609 at the UC Campuses, and $9,708 at independent institutions.

Budget estimates for the Cal Grant program are prepared by CSAC based on historic demand and eligibility patterns, including projections of student fee increases in the public sectors. Prior to 2001–02, annually appropriated funds were based on what the legislature and governor determined available, which was often less than the amount needed to fund the CSAC request. When funds were not sufficient to meet demand, CSAC had the authority to ration aid, and did so based on grade-point averages among needy applicants. Many otherwise eligible students were denied funding from the program as a result. The uncertainty about future award levels and the rising levels of unmet need was a primary reason why the legislature and governor changed the program to an entitlement in 2000. Since that time, demand for the Cal Grant program has increased significantly. In 2000–01, the last year of the old program, approximately 31,000 recent high school graduates received a Cal Grant A or B award and another 95,000 received continuation awards. In 2001–02, the number of awards going to recent high school graduates increased by around 55 percent to an estimated 48,000 awards. Demand has been increasing fastest in the community college sector, but the increase in demand was actually less than initially projected, and funds that were set aside to pay for the program reverted to the General Fund.

Evaluation

The Student Aid Commission prepares annual reports to the legislature on application and award data for the Cal Grant programs. The California Postsecondary Commission additionally prepares an annual report on "Performance Indicators" in California higher education, which includes expenditures on all state, federal and institutional grants as well as on average borrowing levels. The Legislative Analyst provides an analysis of expenditures in the aid programs as part of its recommendations to the legislature on the annual budget bill. The Legislative Analyst often comments on the administration of the programs, as well, and has raised questions about the fragmentation of the aid programs between the different Cal Grants and the public sector institutional aid programs. These periodic critiques have led to proposals to restructure the aid programs; so far, the proposals have come to naught.

FLORIDA

Population (1998): 15,111,244 (4th in the U.S.)

Headcount Enrollments (1997): 584,357 undergraduate; 73,902 graduate and professional

Public 4-year

29 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $2,551

Public 2-Year

55 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $1,525

Private 4-year

14 percent of statewide enrollments

Average 2000–01 undergraduate tuition $14,113

Private 2-year

2 percent of statewide enrollments

Average 2000–01 undergraduate tuition: N/A

Part-time students statewide (1996): 51 percent

Projected % change in high school graduates 1999–2010: +26.4

School-age children in poverty (1995): 24 percent

Statewide Governance of Postsecondary Education

Florida has recently undergone a significant restructuring of statewide governance for postsecondary education, and may be poised to change it yet again. In 1998, the State decentralized the public systems and created a new statewide governance structure designed to simultaneously promote local autonomy and to ensure a seamless fit between K–12 and postsecondary education. In November of 2002, Florida voters voted on a proposed constitutional referendum to change the governance structure once again, by recreating a statewide governing board for higher education in addition to the local boards, with constitutional autonomy for statewide governance. In the current structure, statewide student-aid programs are administered by the State Department of Education Office of Student Assistance, an administrative agency within the Department of Education. Individual governing boards have tuition setting authority, and operate within broad state guidelines that limit tuition increases for undergraduates to 5 percent annually. Fees other than undergraduate tuition are not restricted, and may increase faster, as may nonresident and graduate tuitions. There is also a Council for Educational Policy Research and Improvement (CEPRI), which for the moment has replaced the former state planning council for postsecondary education. The CEPRI reports to the legislature.

Structure of State Student Aid

Florida has three major statewide grant programs: the Florida Student Assistance Grant Program (FSAG), a need-based grant program available to students in public and private non-profit sectors; the "Bright Futures" program, a merit-based program designed to improve the pipeline of qualified high school students attending college in Florida; and the Florida Resident Access Grant, a tuition assistance program for Florida residents who attend private non-profit institutions in Florida. There is also a pre-paid tuition program, administered by the Florida Prepaid College Board, and twenty-four additional state programs targeted at specific populations or occupations. Tuition waivers are managed at the individual institutional level and are not considered part of state student aid. With the exception of the prepaid college fund and tuition waivers, all programs are administered by the State Department of Education, Office of Student Financial Assistance. 2000–01 expenditures for state student aid in Florida were around $313 million: $65 million for FSAG; $165 million for Bright Futures; and $71 million for the Resident Access (Private non-profit) grants. The remaining twenty-four programs collectively account for around $12 million.

Florida Student Assistance Grant (FSAG)

FSAG is the main, decentralized, statewide need-based grant program, with three components: the Public Student Assistance Grant, for students enrolled in public two and four-year institutions; the Private Student Assistance Grant, for students in accredited private non-profit Florida institutions; and the Postsecondary Grant, for students in Florida private institutions that are not eligible for the private grant program. The state determines overall criteria for student and institutional eligibility for all three programs, but since 2002, administration of the programs has been decentralized to the campus levels. Institutions are responsible for the application process: determining students' initial review, renewal, reinstatement, and restoration eligibility, determining student award amounts, notifying students of their award status, and reporting disbursement and reconciliation of student data with the DOE.

PROGRAM	PURPOSE	2000–01 AWARDS/$
Florida Student Access Grant	Need-based grant aid; 3 separate programs, one for students in public institutions, one for students in private nonprofit institutions; and one for students in postsecondary institutions	67,230/$65.4 million
Bright Futures	Merit aid to recent high school graduates	83,196/$164.8M
Florida Resident Access Grant (Independent Institutions only)	Non-need based grant aid to students in private non-profit institutions	29,999/$70.6M
24 additional categorical aid programs	Various purposes, including 4 teacher loan/incentive programs; 2 occupational therapist programs; 1 program in business ethics; 1 work experience program, and several minority scholarship programs	est. $12M includes federal and private funds

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FSAG is available to all needy Florida residents who are U.S. citizens or eligible non-citizens maintaining at least a 2.0 grade point average. Students must demonstrate financial need using the FAFSA, with at least $200 in unmet need to receive awards. Award maximums are set annually in the budget process; they are currently at $1,300 per year (two semesters). The formula used to determine need is:

Institutional Cost of Education (tuition and fees only)

minus EFC (as determined by the FAFSA)

minus Pell award

minus other sources of financial aid except loans

equal = **Financial need**

Award levels range from $200 to $1,300 per academic year (both semesters). In 2000–01, average awards in the public FSAG were $1,012; private award averages, $937; and average postsecondary awards were $787.

The state does not have criteria or goals for the amount of need that should be met by state grant aid. Program reports are submitted annually by the Office of Student Financial Assistance, which records the number of applications, awards, and award levels. There are no broader evaluations of the program's effectiveness relative to statewide goals, nor estimates of the amount of unmet need for students receiving the FSAG grants.

FSAG is funded with general fund appropriations, augmented with federal LEAP and SLEAP resources. Requests for annual appropriations for FSAG are made based on prior year demand, projections of enrollments, and estimates of tuition levels. The program is not funded as an entitlement, so appropriations are determined as part of the annual budget process. There is no formula used to estimate increased state funding needed to cover increases in tuition and fees, as tuition decisions are decentralized to the individual campus level. However, because the need formula is tuition-sensitive, individual student awards can increase to cover increases in tuition and fees if the funding is available. The maximum award is set each year when the budget is decided. If appropriations are not sufficient to fund requested amounts, decisions about how to handle the shortfalls (for example, through across-the-board cutbacks, or reductions based on estimated need, or cut-offs in applications) are made at the individual institutional level.

Bright Futures

The Bright Futures Scholarship is a lottery-funded program intended to encourage high school students to prepare academically for college-level work. Students who receive these awards have their tuition and required fees waived, plus receive $300 per semester for other

Recent History of Awards and Expenditures in the FSAG								
YEAR	**PUBLIC**		**PRIVATE**		**POSTSECONDARY**		**TOTAL**	
	Students	**$**	**Students**	**$**	**Students**	**$**	**Students**	**$**
1997–98	30,141	$28.4M	7,515	$6.7M	2,877	$1.8M	40,533	$36.8M
1998–99	29,652	$27.3M	7,857	$6.8M	2,956	$1.8M	40,465	$35.9M
1999–00	36,549	$31.0M	9,188	$8.3M	6,674	$4.7M	52,411	$44.1M
2000–01	48,705	$49.3M	10,135	$9.5M	8,390	$6.6M	67,230	$65.4M

expenses. Bright Futures awards are distributed purely on merit; there is no need component. Award levels for students in private and postsecondary institutions may not exceed the highest grant award in public institutions. The program is structured as an entitlement, with funding provided from lottery proceeds to pay full award levels for all eligible applicants. However, the budget shortfalls in 2001–02 have caused some cutbacks in the program, as announcements have been made that students enrolled in summer programs in 2002 will not be eligible for awards.

The program dates from 1997–98, when approximately 29 percent of high school graduates were eligible for some form of a Bright Futures award. Eligibility has grown since to 33 percent of high school graduates, and the number of high school graduates also has increased. Disbursements in 1999–2000 were $132 million, and grew to slightly over $164 million in 2000–2001.

Students have up to three academic years after high school graduation to apply for a grant, and may renew awards for up to 110 percent of the required number of credit hours for their undergraduate programs, or up to seven years after high school graduation, if they maintain the requisite grade point average and attend school at least half-time. So far, roughly 70 percent of students have been eligible for continuation awards. Approximately 70 percent of awards go to students in public four-year institutions; 20 percent to students in two-year colleges; and less than 1 percent to students at private or public vocational institutions.

There are three different awards within Bright Futures; eligibility for each level is determined by high school grade point averages on required courses and by scores on standardized tests.

- The Florida Academic Scholars award goes to students earning at least a 3.5 weighted GPA in fifteen required college preparatory courses, composite scores on the SAT of 1,270 or higher, and 75 community service hours. The top scoring Academic Scholar in each county receives a Top Scholars award worth an additional $1,500 per year in addition to the merit award.

In 2000–01 awards in the Bright Futures Scholars Program were disbursed as follows:

2000–2001 BRIGHT FUTURES AWARDS	NUMBER OF STUDENTS RECEIVING AWARDS	FUNDS DISPERSED
Academic Scholars Award	24,474	$68.8M
Top Scholars Award	242	$343.3K
Merit Scholars Award	58,480	$90.6M
Gold Seal Vocational Scholars	4,102	$5.1M
Total	83,196	$164.8M

- The Merit Scholars award goes to students with at least a 3.0 weighted GPA in the 15 required college preparatory courses and a composite score of 970 on the SAT.
- The Florida Gold Seal Vocational Scholars Award goes to students with a 3.0 weighted GPA in fifteen core courses required for college graduation and a composite score on the SAT of at least 880.

Florida Residence Access Grant (FRAG)

The Florida Resident Access grant provides tuition assistance to Florida undergraduates attending eligible, non-profit, private Florida colleges or universities. FRAG is a decentralized program; each participating institution determines application deadlines and student eligibility. Students must be Florida residents attending an institution for at least twelve credit hours per term. Students must maintain at least 2.0 grade point averages, and may renew for a maximum of nine enrolled semesters. The amount of the FRAG award plus all other scholarships and grants specifically designed for tuition assistance cannot exceed the total amount of tuition and fees charged by the institution. In 2000–01, 29,999 students received FRAG awards totaling $70.6 million.

Evaluation and Analysis

At the statewide level, the Office of Student Financial Aid prepares annual reports of awards and expenditures in the major statewide grant programs. Florida has a detailed statewide accountability program that operates under the aegis of the Legislative Auditor General, with mandatory statewide reporting on different indicators for the different educational sectors. All reporting on financial aid performance is done as part of the report of the State Office of Financial Aid, rather than at the sector or institutional level. The Bright Futures program performance indicators are the percentage of high school graduates who successfully have completed the nineteen core credits, the percentage of high school graduates attending Florida postsecondary institutions, and retention and graduation of first-time freshmen students who received Bright Futures awards. Similar reports on

retention and graduation rates for recipients of other statewide aid programs are required, in independent as well as public colleges. The accountability system is being revised, and these indicators could change in the future.

In addition to the reporting by the Office of Financial Aid, the Council for Educational Policy Research and Improvement periodically conducts special studies on financial aid. Their most recent report has focused on the problem of inadequate need-based financial aid in Florida, in contrast to the growing national trend of merit aid program funding.

ILLINOIS

Population (1998): 12,128,370 (5th in the U.S.)

Headcount Enrollments (2000): 612,086 undergraduate; 114,113 graduate and professional

Public 4-year

23 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $4,215

Public 2-Year

56 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $1,580

Private 4-year

19 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $15,917

Private 2-Year

1 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 48 percent

Projected % change in high school graduates 1999–2010: +7.6

School-age children in poverty (1995): 20 percent

Statewide Governance of Postsecondary Education

Illinois has a decentralized governance structure, with nine public university governing boards, a state coordinating board for the locally governed community colleges, and a statewide coordinating board for higher education, the Board of Higher Education. The Board has responsibility for planning and coordination of higher education, makes budget recommendations to the governor and General Assembly, approves and reviews public institutions' academic programs, approves operating and degree granting authority for independent institutions, and administers various institutional grant programs. It is also responsible for information collection and research on behalf of higher education.

Structure of State Student Aid

The Illinois Student Aid Commission (ISAC) is the central administrative agency for state student aid in Illinois. It is composed of twelve gubernatorial appointee members serving six years each. ISAC appoints an Executive Director, who serves at the pleasure of the Commission. ISAC works closely with the Illinois Board of Higher Education, and the chair of ISAC sits as a member of that Board. The Board reviews ISAC budget requests and makes recommendations concerning state support for ISAC and financial aid programs, and in cooperation with ISAC

STATEWIDE AID PROGRAMS IN ILLINOIS		
PROGRAM	**PURPOSE**	**2000–01 AWARDS/$**
Monetary Award Program	Need-based tuition assistance; all sectors eligible	139,000/$348.6M
Illinois Incentive for Access	Additional funds to poorest MAP students	19,000/$7.5M
Student-to-Student Grants	Matching funds for student fees in institutional aid programs	2,900/$913,000
Illinois Veterans Grants	Grants to eligible veterans	11,700/$18.8M
Illinois National Guard Grants	Grants to eligible national guard members	2,900/$4.3M
Merit Recognition Scholarships	One-time scholarships to students in top 5% of high school class	5,300/$5.2M
Bonus Incentive Grant		1,200/$482,000
Higher Education License Plate		NA/$180,000
Quern IT Grants		1,000/$2.6M
Dependents of Police or Fire Officers		52*/$198,000
Teacher Shortage Scholarships		330/$1.5M
Minority Teachers Scholarships		500/$2.3M

* Also includes awards/expenditures for Dependents of Correctional Officers

engages in program planning and evaluation, including review of the effectiveness of student aid. ISAC administers thirteen different programs, as well as a prepaid tuition program. The Illinois State Treasurer additionally administers the "Bright Start" college savings program. Total state expenditures for these programs in FY 2001 approximated $393 million, over 90 percent of which were in need-based grant programs. The remaining $35 million was spread across several targeted and merit-based aid programs.

Monetary Award Programs (MAP)

The largest program by far is the Illinois Monetary Award Program, a need-based program providing tuition assistance to students attending public, private non-profit, or proprietary institutions in Illinois. To qualify, students must be Illinois residents attending an eligible institution. Unlike most other state aid programs, students attending half time or less (even a course at a time) are eligible for MAP awards. The program is not an entitlement. Award levels cannot exceed total tuition and fee amounts. Tuition authority rests with the individual governing boards in the public sector, although the state has overarching policies guiding how tuitions may be set. Institutions are encouraged to develop multi-year tuition plans, and to

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consider multiple factors in setting rates, including students' ability to pay, inflationary indicators, and instructional costs. The state further requires that rates for out-of-state students approximate instructional costs. Funding requests for student aid are generated based on estimates of public sector tuition and fees and analyses of prior year demand. If tuitions increase after the MAP appropriation is set, the Commission has authority to determine if and how awards will be reduced. In the past, they have rationed aid by suspending processing for new awards, lowered individual awards, or acknowledged a lower maximum award than is noted in statute.

Students may renew MAP awards for up to ten enrolled semesters, although funding constraints in the last year have essentially limited aid to students enrolled up to eight semesters. Illinois uses the FAFSA estimated family contribution as the basis for measuring financial need. Up to $25,000 of savings from the Illinois college savings program is exempted from student asset calculations in the need analysis.

Other Need-Based Aid

Illinois has three other small, need-based aid programs, the Illinois Incentive for Access Program (IIA), the Student-to-Student program of matching grants, and the Higher Education License Plate program. The Incentive for Access Program provides a grant of $500 annually to freshmen MAP recipients who have an expected family contribution of zero. The Student-to-Student grant provides state matching funds to student fee contributions for institution-based student aid in public institutions. The Higher Education License Plate program directs proceeds from sales of special license plates to support need-based aid in private institutions.

Merit Aid

Illinois has so far made only small investments in merit-based aid, through the Merit Recognition Scholarship Program. This program, in existence since 1986, provides one-time scholarships of $1,000 to students graduating in the upper 5 percent of their high school class. Appropriations for this program supported 5,300 recipients in FY 2001, and cost $5.2 million.

Evaluation

The Board of Higher Education prepares an annual report on Illinois higher education, which includes some references to the state funded aid programs. The Board also prepares an annual Statewide Results Report in which it reviews the state's progress in meeting the goals of *The Illinois Commitment*—the state's policy goals for higher education. The third goal of the *Commitment* relates to affordability. Periodic reports are made on the MAP programs that document student persistence and academic success as well as aid awards. There are also periodic reviews of the other programs made by ISAC in cooperation with IBHE, and annual reports of tuition pre-payment and savings plans.

The Illinois Board for Higher Education recently commissioned a special Committee on Affordability. The Committee is charged with conducting a comprehensive review of the state's long-term strategies for ensuring access to and affordability in higher education in light of recent budget trends and circumstances. The Committee began work in 2002 and is expected to complete its report sometime in 2003.

MINNESOTA

Population (1998): 4,775,508 (21st in the U.S.)

Headcount Enrollments (1997): 233,407 undergraduate; 36,480 graduate and professional

Public 4–year

39 percent of statewide enrollments
Average 2001–02 in-state undergraduate tuition $3,561

Public 2–Year

40 percent of total statewide undergraduate enrollments
Average 2001–02 in-state undergraduate tuition $2,750

Private 4–Year

18 percent of statewide enrollments
Average 2000–01 undergraduate tuition $16,924

Private 2–year

4 percent of statewide enrollments
Average 2000–01 undergraduate tuition: N/A

Part-time students statewide (1996): 37 percent

Projected % change in high school graduates 1999–2010 : +1.5

School-age children in poverty (1995): 14 percent

Statewide Governance of Postsecondary Education

Minnesota has a decentralized, segmental approach to higher education governance, policy, and planning. There are two public governing boards in Minnesota: one for the MnSCU system, which combines public two-year and public comprehensive four-year institutions; and one for the University of Minnesota, which has four campuses. These boards are responsible for setting tuitions in their institutions. Student aid is centrally administered through the Minnesota Higher Education Services Office (MHESO), a state agency with statutory responsibility for the administration and oversight of student aid. The state does not have a coordinating or planning agency beyond the two public boards or what occurs through the work of MHESO. Segments report to the governor and Legislature. There is no statewide higher education or performance accountability report for all of Minnesota higher education.

Structure of State Student Aid

MHESO is a state agency governed by a nine-member council, eight-public and one student member, all appointed by the governor. Public members serve for six years, and the student member for two years. The Higher Education Services Council appoints the executive director. MHESO conducts research and policy oversight for publicly-funded student aid, including

PROGRAM	PURPOSE	2000–01 AWARDS/$
Minnesota State Grant	Need-based aid to enable students access and choice in higher education	65,246/$123.2M
Postsecondary Child Care Grant	Need-based grants for students with children aged 12 and under to pay for costs of child care	2,736/$4.7M
Minnesota State Work-Study	Subsidize jobs for needy students	12,079/$12.4M
Safety Officers Survivors Benefits	Benefits equivalent to public sector tuition for Public Safety Officers' Survivors	12/$40,000

federal as well as state aid. It administers postsecondary information and early outreach programs, the state's 529 college savings plan, and the state's loan program, the Student Educational Loan Fund. MHESO also is the state's private, postsecondary licensing agency.

MHESO administers four state-funded student aid grant programs: the Minnesota State Grant Program; a state-funded, work-study program, a postsecondary child care grant program, and a grant to survivors of safety officers killed in the line of duty. Minnesota has six separate loan forgiveness programs targeted to students entering certain occupations: health service, rural physicians, urban physicians, dentists, and nursing. Minnesota also has an Indian Scholarship Fund, a need-based grant program for Native Americans administered by the Minnesota Department of Children, Families and Learning. There are no state-funded, institutional aid programs in public institutions in Minnesota. MHESO also does not monitor or report on funding for public institutional tuition or fee waivers.

Minnesota State Grant

The State Grant Program is the primary need-based grant program in Minnesota. Its goals are to provide need-based aid to enable access to and choice in higher education for Minnesota residents. Students may enroll in public, private non-profit, or for-profit postsecondary institutions. Part-time students are eligible for funding, with grants prorated to reflect the lower costs. Students who maintain financial eligibility can receive awards of up to five years, full-time enrollment.

The Minnesota State Grant program has been treated as an entitlement, although it is not legally constructed as one. The statute sets forth standards for how the cost of attendance (price) will be shared by the student, families, and taxpayers, and historically the State has funded the program to ensure that the program can meet these standards. The formula is based on a "shared responsibility" model for determining grant eligibility to needy students. Grant levels are determined by a formula based on total costs of education, minus 46 percent of costs – the student's share – less an assignment to families based on their ability to pay, and Pell Grant funding. Students who receive state work-study awards may have this award

count toward their expected student share of costs. Students are advised if they are eligible for federal Hope or lifelong learning credits, but the grants are not reduced to reflect these potential awards. The maximum award in 2001–02 was $4,348 for public institutions and $7,651 for private institutions.

The program administration is decentralized; applications and awards are handled at the individual campus level. Participating colleges screen applications and calculate State Grant awards based on the eligibility requirements set at the state level. The MHESO advances funds to each institution before the start of each term, and schools disburse awards to students on campus. MHESO prepares annual reports on awards in the State Grant programs and in Pell grants, for both dependent and independent students, by income level and number of credits enrolled, and by sector.

MHESO, according to the statute, requests funding from the legislature. Although the program is not technically constructed as an entitlement, historically the legislature has advanced full funding. This history is being challenged in the 2002–03 budget, as Minnesota (along with many other states) struggles to absorb significant budget cuts with tuition increases averaging 16 percent.

Evaluation and Reporting

MHESO provides detailed reports on the distribution of grant aid, by application and award, student dependency status, and institution of choice. Minnesota coordinates reports on the federal Pell grant program with those for the Minnesota State Grant as a base of funding for the grant program.

Tuition Reciprocity

Minnesota has tuition reciprocity agreements with several of its bordering states and Canada: Wisconsin, North Dakota, South Dakota, and the province of Manitoba. Students from these states enrolling in public institutions in Minnesota may have their non-resident tuition substantially reduced or eliminated; Minnesota residents get similar benefits in the partner states. Appropriations for interstate payments required under two of the agreements in 2000–01 were approximately $5.2 million.

NEW JERSEY

Population (1998): 8,143,412 (9th in the U.S.)

Headcount Enrollments (1997): 276,737 undergraduate; 49,017 graduate and professional

Public 4-year

39 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $5,762

Public 2-year

44 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $2,399

Private 4-Year

15 percent of statewide enrollments

Average 2000–01 undergraduate tuition $17,250

Private 2-Year

2 percent of statewide enrollments

Average 2000–01 undergraduate tuition: N/A

Part-time students statewide (1996): 45 percent

Projected % change in high school graduates 1999–2010: + 20.4

School-age children in poverty (1995): 14 percent

Statewide Governance of Postsecondary Education

New Jersey has a decentralized governance structure, with independent governing boards for the public institutions and a statewide coordinating board, the New Jersey Commission on Higher Education. The public four-year institutions also have a state-level coordinating board. Tuition and fee authority is decentralized to the individual governing boards, subject to review and veto by the governor or legislature. Tuition revenues are held at the campus level. There is no statewide tuition policy. A voluntary council of public and private institutional presidents also advises the governor and legislature about postsecondary policy.

The Structure of State Aid

Statewide student aid programs in New Jersey are coordinated with or directly administered by the New Jersey Higher Education Student Assistance Authority (NJHESAA), an independent agency of the State of New Jersey. HESAA is governed by an eighteen-member board, which includes voting representatives from all sectors of higher education as well as student and public members. Appointments are all gubernatorial, subject to senate confirmation. The Student Assistance Authority works closely with the New Jersey Commission on Higher Education, the statewide coordinating board for higher education. The

PROGRAM	PURPOSE	2000–01 AWARDS/$
Tuition Assistance Grants (TAG)	Need-based grant aid for full time (12 units or more) undergraduate in all sectors	60,000/$164.3 M
Part-Time Tuition Assistance Grants	Need-based grant aid to students enrolled less than 12 units	500/$620,000
Educational Opportunity Funds	Supplemental academic and financial assistance to both graduates and undergraduates	13,000/$21.9M
Bloustein Merit Awards	Merit aid to high school graduates from top 10% of their class	4,800/$4.8M
Urban Scholars	Need/Merit aid to top 10% of high school graduates from economically distressed areas	2,200/$2.1M
Outstanding Scholar Recruitment Program (OSRP)	Merit aid to top performing students enrolled in New Jersey institutions	NA

Commission has primary responsibility for planning and evaluating New Jersey higher education, and it prepares the annual accountability reports for the governor and legislature.

There are both centralized, decentralized, and campus-based state programs in New Jersey. HESAA is the administrative agency for the centralized programs, and shares responsibility with the campuses for the other programs. HESAA runs the state's comprehensive, student record-based, financial aid system, which allows administrators at either the campus or state level to share information about the status of any student's aid file, whether in the application, award, or repayment period. New Jersey has three need-based grant programs, and three statewide merit-based programs. State funds of $187 million were spent on the need-based programs in 2000–01, compared to about $7 million for merit aid programs. There are also three small, specialized aid programs, which together account for less than $100 thousand annually. HESAA also administers two different, state-based student loan programs.

Tuition Assistance Grant (TAG)

The TAG program, the largest statewide need-based grant program in New Jersey, is centrally administered by HESAA. TAG's goal is to provide financial assistance to needy undergraduate students attending eligible institutions in New Jersey, which covers public and private non-profit institutions. To be eligible for a TAG award, students must be New Jersey residents with demonstrated financial need, attending college at least twelve units per semester. Students must submit applications for TAG awards using the FAFSA beginning in January before the next academic year. Financial eligibility is determined using the New Jersey Eligibility Index (NJEI), which is based on modified federal methodology. The NJEI index is used as the framework for a TAG award table, which shows the dollar amount that a family is expected to contribute to educational costs. The NJEI range is established each year by HESAA, with a different range for each sector of higher education.

The grant awards may not exceed the cost of tuition and required fees for New Jersey public institutions. Maximum awards for students in independent institutions are set at the average, per-student state appropriation in public four-year institutions; the maximum award in 2000–01 was $7,242 at independent institutions. Students may renew awards for up to nine semesters. In 2000–01, TAG awards went to 60,000 students.

TAG is forward-funded from state general fund appropriations and is not an entitlement. Awards in any academic year are based on appropriations from the prior year. Requests for funding are made using estimates of prior year demand and projections of possible future tuition levels. If mid-year budget cuts are made, and appropriations are reduced below the amount requested, HESAA has the authority to reduce grant levels.

Part-Time TAG/Educational Opportunity Fund

HESAA is also the central administrative agency for the other statewide need-based program, targeted to part-time, needy students in New Jersey higher education. This program is combined with the EOF program described below, and is limited to part-time students with a background of historical poverty. The part-time program is funded at $620,000 annually and serves approximately 500 students.

Educational Opportunity Fund Grants

The second largest, statewide grant program is the Educational Opportunity Fund grants, a campus-based program coordinated by HESAA, but administered at the campus level. It is overseen by the Educational Opportunity Fund Board, which coordinates with the New Jersey Commission on Higher Education, and is made up of gubernatorial appointees. The Educational Opportunity Fund is targeted to provide supplementary academic and financial support to students beyond TAG awards, for students with a background of historical poverty who meet income guidelines. The undergraduate grants range from $200 to $2,300 per year at approved New Jersey colleges and universities. The program is funded with state appropriations, and it is not an entitlement. Funding in 2000–01 was $21.9 million, for approximately 13,000 graduate and undergraduate students.

Merit Aid

New Jersey has two relatively new, merit aid programs that provide stipends for academic achievement to students who stay and attend college in New Jersey. The Edward J. Bloustein Distinguished Scholars program awards $1,000 per year for four years of study to the highest performing high school students. Students who are ranked first, second, and third in their high school graduating class are nominated by their schools. A statewide pool designed to reach the top 10 percent of high school graduates statewide also is identified. A committee reviews the statewide nominations and determines the pool of eligible students each year. The Urban Scholars program, the other merit program, is designed to reach the top 10 percent of students statewide in economically-distressed areas. Urban Scholars also must have a GPA of at least 3.0 to be considered for the award.

Evaluation

The HESAA shares oversight and performance reporting for student aid with the New Jersey Commission on Higher Education. HESAA provides detailed reports on application and award levels for all of the centralized grant programs. In addition, the New Jersey Commission prepares an annual statewide accountability report on higher education to the Governor and legislature, which includes sections on student tuitions and financial aid. This report includes reports on the HESAA programs and on student aid to New Jersey students from federal and institutional sources. The report does not include data about public sector tuition waivers. Data are reported that compare New Jersey financial aid to national averages, to give policymakers a larger context for the analysis. Highlights from two recent Commission accountability reports show that:

- New Jersey ranks first in the U.S. in the percentage of undergraduates receiving need-based aid
- New Jersey ranks second in the number of need-based dollars per student
- New Jersey ranks second in financial aid as a percentage of total state higher education funding.
- Students in independent and public four-year institutions receive a higher proportion of financial aid than the national average, whereas community college students in New Jersey on average receive less financial aid than their national counterparts; and
- Students in New Jersey are relatively more dependent on state aid than on either federal or institutional aid than their national counterparts.

NEW YORK

Population (1998): 18,196,601 (3rd in the U.S.)

Headcount Enrollments (1997): 827,877 undergraduates; 196,621 graduate and professional

Public 4-year

32 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $4,081

Public 2-Year

29 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $2,657

Private 4-Year

36 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $17,930

Private 2-Year

3 percent of total statewide undergraduate enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 35 percent

Projected % change in high school graduates 1999–2010: +9.0

School-age children in poverty (1995): 25 percent

Statewide Governance of Postsecondary Education

New York has a unique governance structure for education in the University of the State of New York, an entity consisting of all K–12 and postsecondary institutions incorporated in New York, along with museums, libraries, and other educational agencies. The Board of Regents for the University of New York sets broad educational policies for the state, including high school graduation and testing standards, degree and program approval authority. New York also has the only state-based accreditation of higher education in the U.S. Despite the broad authority held by the Regents, New York is also segmentally decentralized, with most statewide policy and planning responsibility residing in the two public governing boards, one for the State University of New York, and the other for the City University of New York. The Division of Higher Education within the State Board of Education has statewide data collection responsibilities. There is no statewide report card for New York postsecondary education.

Structure of State Student Aid

Statewide student aid programs in New York are managed by the Higher Education Services Corporation (HESC), an independent state agency. HESC has fifteen members: ten gubernatorial appointments required by statute to be representative of the different

PROGRAM	PURPOSE	2000–01 AWARDS/$
Tuition Assistance Program (TAP)	Need-based grant for full-time students	342,000 / $635.7M
Aid to Part-Time Study	Need-based grants for part-time students	20,000 / $12.2M
Scholarships for Excellence	One-time scholarships to top performing high school students	15,000 / $11M
Memorial Scholarships for Families of Deceased Police Officers & Firefighters	SUNY Tuition/fees for children and spouses of peace officers & firefighters who died in the line of duty	60 / $558,000
Regents Awards for Children of Veterans	$450/year to children of deceased or disable veterans	594 / $241,000
Vietnam Veteran & Persian Gulf Veterans Tuition awards	Up to $1,000/semester to Vietnam/Persian Gulf War veterans in approved vocational training programs	724 / $1M
Regents Health Care Opportunity Scholarships	$10,000/year to economically disadvantaged or historically underrepresented minority students in medical or dental schools	90 / $893,000
Regents Professional Opportunity Scholarships	$100–$5,000/year to economically disadvantaged or historically underrepresented minority students studying for 24 different professions in NY	600 / $2.3M

educational and financial stakeholder groups; the Chancellors of SUNY and CUNY, a representative of the State Department of Education, and two students. The President of HESC is a gubernatorial appointee. HESC administers eight different student aid programs, two of which are coordinated, also, with the State Department of Education. HESC also jointly coordinates the New York Tuition Savings Program with the Office of the State Comptroller and is the loan guarantee agency for New York.

Tuition Assistance Payment (TAP) Program

TAP began in the 1970s, and was initially designed to serve students in SUNY and New York private institutions, but has since expanded to include students in CUNY and for-profit institutions. TAP is the only true, state-funded, financial aid entitlement program in the United States. The goal of the program is to expand access and success to financially needy students enrolled in New York institutions. Awards are limited to the costs of tuition and fees for undergraduate students only. Graduate students with financial need can also obtain TAP awards, but at much lower amounts. Tuition in New York is determined jointly through negotiation with the governor, legislature, and the SUNY and CUNY Boards. Awards for students in non-profit, private or proprietary institutions are limited to the maximum tuition level in SUNY, which currently ranges from approximately $275–$5,000 per year for undergraduates. Graduate awards range from $75–$550 per year.

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Students must be New York residents, enrolled full-time in institutions accredited by the State Department of Higher Education to offer degrees in New York State. Need for the program is determined by income levels and family size alone; costs of attendance, including tuition, are not a factor in determining financial eligibility for TAP. Maximum income/family size levels are determined each year. Currently, for undergraduate dependents the limit is $80,000 NYS net taxable income for families with other students in college; $10,000 for independent undergraduates with no dependents; and $5,666 for single, independent graduate students. Students who meet income requirements receive awards based on their tuition costs. This means that needy students are guaranteed a full tuition waiver in public institutions in New York, or a grant equivalent to the cost of public tuitions, if they enroll in private institutions.

Students apply for TAP aid either using the FAFSA form or on-line. Income is verified directly from the New York state income tax database for individuals who file taxes, and through sample audits for non-filers. In addition to demonstrating continuing financial need, students must maintain good academic standing (at least a C average) and demonstrate pursuit of academic progress (known in New York as the "GAS/POP" criteria) to the degree. Undergraduate students receive TAP "eligibility points" when they first receive the award – 48 for four-year degree programs, and 60 in approved five-year programs. Needy graduate students may obtain eligibility for another four years of study beyond the baccalaureate. TAP eligibility is drawn down for each term students are enrolled full-time. Students who remain enrolled after exhausting their TAP eligibility may not receive renewal rewards.

The award levels for students with financial need are set in statute, and are an entitlement to the individual. In times of state financial emergency, the statute makes provisions for reductions in awards. Over the life of the program, the statutory amount has been fully funded every year except one – the budget crisis of 1990, when awards were reduced by $75. Funding requests for TAP are based on historic analysis of application and award data, as well as historic rates of persistence and income growth. The aid to part-time students is a relatively new program, started in 1996–97, and designed to provide aid to students enrolled at least half-time.

Evaluation and Reporting

HESC prepares an annual report covering both loans and grant awards for students served by HESC. The TAP report includes information on total number of students receiving awards by sector, undergraduate and graduate levels, and student dependency status. Total expenditures as well as award levels are also shown. The loan reports show the number of loans guaranteed, the amount of loans guaranteed, loans purchased, and collection activities on defaulted loans. Beyond the HESC annual report, which is quite comprehensive, New York does not have a statewide performance or accountability report for higher education.

OHIO

Population (1998): 11,256,654 (7th in the U.S.)

Headcount Enrollments (1997): 458,575 undergraduate; 78,595 graduate and professional

Public 4-year

45 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $5,058

Public 2-Year

31 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $2,300

Private 4-Year

20 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $15,915

Private 2-Year

3 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 37 percent

Projected % change in high school graduates 1999–2010: -2.4

School-age children in poverty (1995): 19 percent

Statewide Governance of Postsecondary Education

Ohio has a decentralized governance structure for higher education, as each of the 63 public institutions has its own governing board. Tuitions are set by the individual governing boards, although tuition levels are negotiated with the Governor and legislature as part of the annual budget process. There is no statewide tuition policy in Ohio.

The Ohio Board of Regents is the statewide coordinating agency for higher education in Ohio, as well as the administrative agency for state student aid. Administration of state student aid started at the Board of Regents in 1970. In 1993, a separate Student Aid Commission, which was also the loan guarantee agency for Ohio, oversaw financial aid administration. In the mid-1990s, the state decided to get out of the loan-guarantee business; the Student Aid Commission was dissolved, and, by 1996, administration and oversight of student aid shifted back to the Board of Regents.

Structure of State Student Aid

The Board administers or coordinates eleven separate financial aid programs: four need-based; two merit-based; and five targeted to special populations. A separate Ohio Tuition

SUMMARY OF MAJOR STATEWIDE STUDENT AID PROGRAMS IN OHIO

PROGRAM	PURPOSE	2000–01 AWARDS/$
Ohio Instructional Grant	Need (income) based grants, all sectors eligible	74,102 /$84.3M
Part-Time Grant	Need (income) based grants to part-time students, all sectors eligible	30,764 /$14.4M
Ohio Student Choice Grant	Grants to students in private non-profit institutions; eligibility is determined by the institution	51,358 /$50.4M
Ohio Academic Scholarship	Merit aid	3,728 /$7.3M

Trust Authority administers a pre-paid tuition plan, and the Adjutant General administers a small National Guard scholarship program. There is no statewide coordination or reporting of tuition waiver programs in the public institutions.

Ohio Instructional Grant (OIG)

The primary, statewide need-based aid program is the Ohio Instructional Grant program, which is centrally administered by the Board of Regents. OIG expenditures are around $84 million annually, out of total state aid expenditures for financial aid of approximately $155 million. Students must be Ohio residents enrolled full-time in eligible institutions, which are accredited public two and four-year institutions, non-profit and proprietary privates. Awards can be renewed for up to ten semesters of full-time enrollment. Students apply using the FAFSA, yet Ohio uses a strictly income-based methodology to determine student eligibility for aid. Student financial need is calculated entirely by family income and size, and is not tuition sensitive. Maximum income levels are set annually; currently the maximum income level is around $37,000. Grant levels are determined annually based on annual appropriations; student aid is not an individual entitlement. Although student tuitions are not a component of student financial need, the award levels do vary according to family income and institutional costs. Maximum award levels are determined annually, and are differentiated by sector. In 2000–01, the maximum award to students in independent institutions is $5,160; $2,070 to public institutions, and $4,374 to proprietary institutions.

Funding for OIG is determined as part of the biennial budget. Eligibility and award levels are determined after the appropriation is set. Funding requests are made based on current year appropriations modified by expected changes in demand.

Part-Time Student Instructional Grant

Ohio also maintains a smaller, need-based program for part-time students. Annual general fund expenditures for this program are approximately $14 million. The program is

Distributions of Funds and Awards for OIG by Sector in FY 2001		
SECTOR	**# AWARDS**	**EXPENDITURES**
Public 4-Year	36,254	$32.5M
Public 2-Year	19,397	$13.7M
Private not-for-profit	11,076	$24.2M
Proprietary	7,375	$13.9M
Total	74,102	$84.3M

decentralized; the Board of Regents receives the appropriation from the state, and allocates funds to campuses based on prior year demand. Awards cannot exceed tuition and fees.

Merit-Based State Aid

Ohio has three statewide student aid programs that are purely merit-based: the Ohio Academic Scholarship Program, which provides scholarships of $2,000 per year to the most academically talented undergraduate students; the twelfth grade proficiency tests scholarship, which provides $500 to Ohio high school seniors who pass the five sections of Ohio's twelfth-grade proficiency examinations; and the Regents Graduate/Professional fellowship program, awarded to Ohio B.A. and B.S. degree recipients who remain in Ohio for graduate or professional study. Students who receive undergraduate grants remain eligible for need-based aid; need-based awards are not reduced by any merit scholarships. The Ohio Academic Scholarship and Graduate/Professional programs are both designed to reduce the "brain-drain" of talented students away from Ohio. General funds of around $8 million were provided for Academic Scholarship programs in 2000–01, compared to $320,000 for the Graduate/Professional program.

Aid to Students in Private Institutions

Ohio also maintains a $50 million program designed to reduce tuitions to Ohio residents attending private institutions in Ohio. Maximum awards are limited to $1,062 per student.

Evaluations

In addition to conducting periodic audits of state student aid programs, the Board of Regents prepares an annual accountability report for higher education in Ohio. This report includes sections on access, tuition and fees, and affordability. The report includes information on how Ohio compares to institutions nationally in access to financial aid in the percentage of first-time freshmen receiving financial aid. These comparisons indicate that the percentage of students receiving state aid in the public four-year institutions in Ohio is below national averages (21 percent for Ohio versus 27 percent nationally), in contrast to public two-year

institutions, which are above national averages (33 percent in Ohio versus 25 percent nationally), and private four-year institutions (66 percent in Ohio versus 30 percent nationally). Another report compares average awards by fund source for students enrolled in the different sectors; this report shows that state aid is reaching a far greater proportion of freshmen in independent colleges than in any other sector. The report also shows that Ohio students in all sectors are borrowing more in Ohio than is the case nationally. Concern about the declining affordability of higher education in Ohio has led to a Board of Regents' review of the structure and funding of state aid in Ohio. Among other issues, the Board is considering whether a change to a more classic form of needs-assessment, which includes tuition as a component of student need, may do a better job of ensuring that Ohio remains both accessible and affordable in the future.

PENNSYLVANIA

Population (1998): 11,994,016 (6th in the U.S.)

Headcount Enrollments (1997): 491,773 undergraduates; 96,412 graduate and professional

Public 4-year

39 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $4,969

Public 2-Year

21 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $2,277

Private 4-Year

34 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $18,383

Private 2-Year

6 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 31 percent

Projected % change in high school graduates 1999–2010: +3.1

School-age children in poverty (1995): 17 percent

Statewide Governance of Postsecondary Education

Pennsylvania has a decentralized governance structure, with individual boards for each of the public institutions (some multi-campus). The State Board of Education, a 22-member board, is the statewide governing and coordinating board for all of education. It is organized into two separate councils, one directed primarily to K–12, and the other to higher education. The agency has general policy and planning responsibilities, and is the licensure agency for private postsecondary education in Pennsylvania. Tuition authority is held by the individual boards, and all tuition revenues are retained by the institutions. Data on tuition waiver policies and uses of tuition waivers at public institutions are not collected at the statewide level.

Structure of State Student Aid

The Pennsylvania Higher Education Assistance Agency (PHEAA) is the statewide administrative and policy agency for state student aid programs. PHEAA is an independent organization – a quasi-state agency. The PHEAA Board of Directors consists of twenty members: sixteen legislators, eight members of the state Senate, four from the majority party and four from the minority party; eight members of the state House of Representatives, four

PROGRAM	PURPOSE	2000–01 AWARDS/$
PA State Grant Program	Need-based grant aid to either public or private institutions: limits are 40 percent of need or 80 percent of tuition or fees, whichever is less up to the maximum award.	163,597 / $323M (includes summer)
POW-MIA program	Grants to children of POW/MIAs	None
PA National Guard Assistance	Tuition assistance for members of PA National Guard	NA
Postsecondary Education Gratuity Program	Public sector tuition waivers for children of PA peace officers and others who died in line of duty	NA; waivers are made at institutional level
New Economy Tech Scholarship	Prepare PA students for new economy, and stem migration to other states	NA/$8.2M
Agriculture Education Loan Forgiveness	Loan forgiveness for agriculture or veterinary graduates who work on a family farm or on PA livestock	$2,000/year PHEAA-guaranteed loans forgiven, up to 5 years
Early Childhood Professional Education Loan Forgiveness	Loan forgiveness for workers in qualified day care centers	Must earn less than $18,500/year to be eligible for forgiveness
Nursing Loan Forgiveness	Assist recent nursing graduates with loan forgiveness	Forgive up to $50,000 in loans over 3 years
Matching Funds	Leverage federal and private funds for needy students	NA

from the majority party and four from the minority party; three Gubernatorial appointees representing the education and business communities; and the Secretary of Education *ex officio*. The PHEAA President and CEO is appointed by the Board President.

PHEAA administers nine different student state aid programs, is the state loan guarantee agency, a major national processor of secondary market loans, and a major servicer of federally and privately guaranteed student loans.

PA State Grant Program

The Pennsylvania State Grant program is the major statewide need-based grant program. The goal of the program is to provide need-based aid to Pennsylvania residents. Students must be Pennsylvania residents enrolled half-time or more who demonstrate financial need and maintain academic progress while enrolled in school. Pennsylvania provides State Grant funding to Pennsylvania residents who enroll in approved, out-of-state institutions through reciprocity agreements with most of the contiguous states. Ninety-eight percent of program funds go to in-state students.

Students are required to use the FAFSA in applying for aid. The formula for determining student need is developed and approved annually by the PHEAA Board. The current formula measures need as: total educational cost (tuition and fees, books and supplies, plus a living

allowance which includes on-campus housing costs), minus the contribution determined by the state specific formula, minus 65 percent of any expected federal Pell grant. Resources for students from Pennsylvania-state pre-paid tuitions are not counted as assets, although savings from other state pre-paid programs or savings are counted.

The Board has set maximum awards under the program not to exceed the lesser of 80 percent of total need or 40 percent of tuition and fees, or the maximum award for the year ($3,300 in 2001). Funds for the program are appropriated from general funds on an annual basis and are not an entitlement. Requests for funds are made based on estimates of prior year demand and projections of future educational cost increases as well as the composition of the applicant cohort that will need aid. The Board makes adjustments when necessary to ensure that the program expenditures remain within the resources available for the program. The maximum amount awarded in the State Grant Program for 2001 was $3,300 for full-time enrollment at a Pennsylvania institution and up to $600 outside of Pennsylvania. Half-time student maximum awards were $1,650 at a Pennsylvania institution, or $300 outside of Pennsylvania. Veterans are eligible for up to $800 out of state as full-time students and up to $400 as half-time students.

Evaluation

PHEAA conducts ongoing reviews through audits and other analyses of its major grant programs. It has no review or overall policy authority for student aid beyond these programs. Pennsylvania does not have a state "report card" or performance reporting system for aid so performance in student aid is not routinely part of the state accountability reporting.

TEXAS

Population (1998): 20,044,141 (2nd in the U.S.)

Headcount Enrollments (1997): 846,521 undergraduate; 122,762 graduate and professional

Public 4-year

38 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $2,841

Public 2-Year

51 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $1,122

Private 4-Year

10 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $12,284

Private 2-Year

1 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 45 percent

Projected change in high school graduates 1999–2010 : +11.7

School-age children in poverty (1995): 25 percent

Statewide Governance of Postsecondary Education

Texas has a decentralized governance structure for higher education, with a total of sixty-one separate governing boards in the state – six for the public four-year systems, fifty public community college districts with locally-elected boards, one board overseeing the eight technical colleges, and four additional single-institution boards. Tuition-setting authority for community colleges resides with the individual governing boards, subject to a statutory minimum. The basic undergraduate tuition rate for other public institutions is set in statute. Governing boards have the authority to increase basic *graduate* tuition rates to as much as two times the undergraduate rate (on a program-by-program basis). A charge once labeled a "building use fee" was reauthorized as designated tuition charge in 1997; institutions may set that designated tuition to an amount up to the basic rate for undergraduates.

Texas historically has been a low-tuition, low-aid state, with relatively low investment in state student aid. Much of the investment in student aid has come in the form of tuition waivers to targeted populations, and typically, is not based on financial need. Information on tuition waivers in public institutions is collected statewide, and historically has been included in reports on state aid programs. In the last few years, Texas has begun to invest in state aid programs that combine need with merit as a tool to improve academic preparation and increase college-going rates.

The Texas Higher Education Coordinating Board is the state's coordinating, planning, and policy board for higher education, as well as the central agency overseeing and administering state student aid. The Coordinating Board is made up of eighteen members appointed by the governor for six-year terms. The agency is responsible for statewide academic planning and program review in Texas, and it reviews all public institutional budgets.

Structure of State Student Aid

The Texas HECB oversees eight separate student aid programs – the three-part TEXAS grant program, and seven additional grant programs, most of which are administratively decentralized to the campus level. HECB also assists institutions in the administration of roughly twenty-five different tuition and fee exemption programs, reaching an estimated 50,000 students with awards equal to $27 million in foregone revenue. Most of these exemptions are not awarded on the basis of need, but are targeted towards specific populations or occupations such as blind/deaf students, valedictorians, children of deceased peace officers, senior citizens, and children in foster care. The HECB also assists institutions in the administration of another twenty or so nonresident tuition waiver programs that allow foreign students or out-of-state students to pay instate tuition rates. These tuition waiver programs cost approximately $134.5 million annually in foregone tuition revenue.

Toward EXcellence, Access and Success (TEXAS) Structure

In 1999–2000, Texas created a new grant program and called for the phasing-out of three old programs. The new program, the TEXAS Grant Program, made awards to recent high school graduates who had completed the recommended (college preparatory) curriculum in the 1999–2000 and 2000–2001 academic years. In 2001–2002, an additional set of students became eligible for TEXAS Grants – recent recipients of associate's degrees. Such students, if they continued their undergraduate studies within twelve months of receiving their Associate degrees, could compete for TEXAS Grants. The TEXAS Grant II program, initiated in 2001–2002, provides awards to needy students attending public two-year institutions, regardless of their high school program of study. Both of these programs make commitments for ongoing awards to students who continue to show financial need and meet program academic requirements. TEXAS Grant high school recipients may receive awards for up to 150 hours, six years, or until they receive their bachelor's degrees, whichever occurs first. TEXAS Grant associate degree recipients may receive awards for up to 90 hours, four years, or until they complete their bachelor's degrees, whichever occurs first. TGII recipients may receive awards for up to 75 hours or four years or until they acquire an associate's degree.

Texas uses the FAFSA measure of financial need to determine eligibility for all of these programs. Funding for the TEXAS Grant Program has grown rapidly, from around $18 million when it first began to $120 million in 2001–02. It is projected to reach $160 million in 2002–03. The TEXAS Grant II program was funded $5 million per year for 2001–02 and 2002–03. Funding for the programs is provided from annual appropriations. Funding

PROGRAM	PURPOSE	2000–01 AWARDS/$
Tuition Equalization Grant	Need-based aid for students in private nonprofit Texas institutions.	26,000 (est)/$82 million
TEXAS Grant	Need-merit grants for undergraduates' tuition and fees at public institutions.	50,000/$120 million
Texas Grant for Associates Degree recipients	Need-based transfer incentive grant for 2/4 transfers to either public or private non-profit institutions.	Included in TEXAS grant above
Texas Grant II	Need-based aid to students in public two-year institutions.	5,000/$5 million
Kenneth Ashworth Fellowship	Graduate scholarships to students enrolled in public affairs, public service or administration	1 award/year; $2,000
5th Year Accounting Scholarship	For need-based aid to support accounting students in their 5th year.	355/$655,000; funded from fees paid by CPAs
License Plate Scholarship	Decentralized, need-based grants, funded with revenues from school sales of license plates.	18 (AY2000); estimated $22,500
Tuition waiver programs	20 different tuition waiver programs, some targeted to specific occupations.	$134.5 million (primarily foregone revenue)
Public Student Incentive Grant	Need-based grant for students attending public institutions	2,600/$1.4 million
Nursing Scholarship Programs	Need and merit-based awards for students in vocational or professional nursing programs	212/$400,000
TX National Guard Tuition Assistance Program	Tuition assistance for persons currently active with the National Guard	1,612/$2 million

requests are based on historic trends of high school graduates with financial need. Estimates of tuition costs are based on prior year levels. If tuition increases beyond those levels, grants are not adjusted until the following year. The program is not an entitlement, so funding may be vulnerable in the event of revenue shortfalls. However, if funding is decreased for the programs, priority will be given to continuing students, with left over funds used to add new students to the program.

Evaluations

The HECB prepares an annual financial report about Texas higher education, showing grants for students in public and non-profit institutions by number of students and total funds awarded. A comprehensive review of the TEXAS Grant Program designed to document whether the program has been effective in increasing academic preparation and college-going rate is planned for the future. Based on the expanded participation in its first few years of operation, the new program is believed to be accomplishing its goals.

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VERMONT

Population (1998): 593,740 (49th in the in the U.S.)

Headcount Enrollments (1997): 31,816 undergraduate; 4,666 graduate and professional

Public 4-year

44 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $5,132

Public 2-Year

14 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $3,124

Private 4-Year

40 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $16,125

Private 2-Year

2 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 30 percent

Projected % change in high school graduates 1999–2010: 0.0

School-age children in poverty (1995): 13 percent

Statewide Governance of Postsecondary Education

Vermont has a decentralized governance structure, with three separate governing boards for the University of Vermont, the Vermont State Colleges, and the Vermont Student Assistance Corporation, the state's financial aid agency. Institutional budgets for the University and the State Colleges are negotiated individually by their boards with the governor and legislature. Individual boards are responsible for planning; there is no state coordinating board or governing authority. The Vermont Higher Education Council is a voluntary consultative body of institutional representatives. The Vermont Commission on Higher Education was statutorily established in 1998 to advance the development of postsecondary policy and funding and is composed of executive branch, legislative, institutional, and public members. Private postsecondary licensure is done by the State Board of Education.

Structure of State Student Aid

The Vermont Student Assistance Corporation (VSAC) is a public, non-profit entity that serves as Vermont's comprehensive financial aid agency. It administers Vermont's three need-based grant programs, a summer employment program, the Vermont Honor Scholarship Program, and the state higher education investment plan. It is also serves as a guarantor, lender, and loan service

PROGRAM	PURPOSE	2000–01 AWARDS/$
Vermont Incentive Grants	Need-based grant assistance for full-time undergraduates; awards are portable out-of-state	9,001 / $12.9M
Vermont Part-Time Grants	Need-based grant assistance for students enrolled for less than 12 credits	2,333 / $979,000
Vermont Non-Degree Grants	Need-based aid to Vermont residents in non-degree courses	1,081 / $642,000
Vermont Student Employment Program	Reimbursement for 50 percent of salaries up to $1,500 for needy students with summer jobs with community/state agencies or non-profit organizations	165 / $333,000 (Total aid: VSAC + Employer contribution)
Vermont Honor Scholarship	Merit aid to one graduating senior from each Vermont high school	83 / $83,000

agency for educational loans, and administers the statewide TRIO and GEAR UP programs. VSAC also contracts with private and non-profit agencies to administer approximately $2.4 million annually in a variety of private scholarships. These services are provided on a pro bono or fee-for-service basis, to encourage the offering of scholarships when the organizations or agencies lack the administrative capacity to handle the application and award processes.

VSAC is governed by an eleven-member board: five appointments are made by the governor; two from the legislature, three from the Board, and the State Treasurer serves as an ex-officio member. VSAC works cooperatively with public and independent postsecondary institutions through numerous formal and informal channels.

Vermont Grants Programs

VSAC administers three need-based grants programs, the largest of which is the Vermont Incentive Grant program. Incentive grants are available to Vermont residents only, enrolled full-time in undergraduate programs in public or private postsecondary institutions in Vermont or out-of-state. The Vermont Incentive Grant program also is open to students enrolled at the University of Vermont College of Medicine or any Doctor of Veterinary Medicine program. In 2000–01, 70 percent of awards went to students enrolled in Vermont institutions. Need for all Vermont grant programs is determined using a modified federal methodology, which includes income from non-custodial parents, home equity, and farm assets. Thirty-five percent of a dependent student's total assets are considered as part of his or her gross contribution; the first $1,000 of the contribution is waived. (A student with $4,000 in assets would have a student contribution of $1,400, of which $1,000 would be waived, bringing his contribution to $400.) Earnings from dependent students are not counted. Need is determined as family contribution minus the cost of attendance. The part-time and non-degree grants programs are similarly structured.

VSAC grants are not entitlements. VSAC makes annual budget requests to the legislature based on a five-year plan goal to cover 100 percent of Vermont public sector tuition and fees

for needy students. Funds for the grant programs are appropriated as a lump sum and dispersed to VSAC in four installments. The Board of Directors determines how to allocate the general appropriation among the programs based on their priorities and demand. If appropriations do not cover the costs of awards, VSAC in the past has moved application deadlines forward rather than reduce award levels. The goal of funding full tuition and fees for needy students has not been met; maximum awards cover only 85 percent of tuition and fees at the University of Vermont.

Evaluations

VSAC prepares annual reports on awards from the grant programs, showing number of applicants, recipients, and average awards by sector. VSAC also is subject to annual legislative oversight. There is no additional reporting or evaluations required on how Vermont state aid is used in conjunction with federal or institutional aid, or on the overall effectiveness of Vermont's student aid structure.

VIRGINIA

Population (1998): 6,872,912 (12th in the U.S.)

Headcount Enrollments (1997): 308,972 undergraduate; 55,932 graduate and professional

Public 4-year

41 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $3,841

Public 2-Year

42 percent of statewide enrollments

Average 2001–2002 in-state undergraduate tuition $1,159

Private 4-Year

15 percent of statewide enrollments

Average 2000–2001 undergraduate tuition $13,677

Private 2-Year

2 percent of statewide enrollments

Average 2000–2001 undergraduate tuition: N/A

Part-time students statewide (1996): 43 percent

Projected % change in high school graduates 1999–2010: +12.8

School-age children in poverty (1995): 14 percent

Statewide Governance of Postsecondary Education

Virginia has a decentralized governance structure, with separate governing boards for each of the public institutions, and a state coordinating and planning agency – the State Council for Higher Education in Virginia (SCHEV). SCHEV has eleven members, who are appointed by the governor. Members serve staggered four-year terms, except when vacancies occur for an unexpired term. The Executive Director, who is appointed by the Council, manages the day-to-day operations of the agency and its 44-member professional staff. The agency reviews and approves system-wide budget requests, including proposed tuition levels, and is responsible for preparing statewide accountability reports for public higher education.

Institutional governing boards have the authority to set tuition and fee rates independently, although the state often has established an aspirational goal for tuition. For instance, the state maintains an aspirational goal for in-state students at the state's community colleges to pay no more than 20 percent of the cost of their education, and for in-state students at all other institutions to pay no more than 25 percent of the cost of their education. In response to a rapid escalation in tuition and mandatory E&G fees for in-state, undergraduate students in the early 1990s, however, the governor and General Assembly provided direct guidance to the boards, limiting their authority to increase tuition and fees over the last eight years. In the

1994 legislative session, Virginia capped tuition increases at the rate of inflation. Since that time, boards have been prohibited from increasing tuition and mandatory E&G fees for in-state, undergraduate students. In 1999–2000, the governor and General Assembly went even further, providing additional general fund support to higher education in order to offset a statewide, 20 percent rollback of tuition and mandatory E&G fees. The 2002 recession has hit Virginia state revenues very hard, however, leaving the state with a significant budget shortfall over the next three years. To help offset budget reductions, the governor and General Assembly have removed explicit restrictions on tuition increases, allowing institutions' boards to once again set tuition rates. For 2002–03, most institutions are expected to raise tuition and mandatory E&G fees for in-state, undergraduate students by about 9 percent.

Administration of State Aid

SCHEV has policy, planning, data collection, budget review and approval authority, and oversight responsibility for state student aid programs. The student loan guarantee function is handled by a private agency, Educational Credit Management Corporation.

Structure of State Student Aid

There are five state-level student aid programs coordinated by SCHEV for undergraduate students attending Virginia institutions: two need-based grant programs; one need/merit grant program; one aid to students in private institutions; and a state match for private student aid funding.

Public Sector Aid

Virginia has three statewide, need-based aid programs for Virginia residents enrolled in Virginia public higher education: the Commonwealth Award, which provides tuition assistance to undergraduate students; the Guaranteed Assistance Program, which provides

PROGRAM	PURPOSE	2000–01 AWARDS/$
Commonwealth Award	Need-based grant aid for tuition and fees only in public institutions	34,000 / $36M
Virginia Guaranteed Assistance Program (VGAP)	Need/merit, to provide incentives to needy students to raise expectations and increase academic performance	11,200 / $27M
College Scholarship Assistance Program	Need-based grant aid combines state funds with federal LEAP to assist students with extreme financial need at public or participating private institutions	7,900 / $5M
Tuition Assistance Grant Program	Financial assistance to students enrolled full-time in Virginia non-profit private institutions	15,800 / $42M
Virginia Graduate and Undergraduate Assistance	State match for private endowments specifically targeted to student aid	NA/$125,000 per year

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grants up to the cost of tuition, fees, and books to students who maintain the requisite grade-point averages; and the College Scholarship Assistance Program, which provides scholarships to students with extreme financial need. The College Scholarship Assistance Program can go to students in either public or private non-profit institutions; the other need-based programs are available only to students at public institutions.

Individual student awards are determined by respective college financial aid offices. Student need is the cost of attendance minus the Expected Family Contribution (as determined by the FAFSA) minus Pell grant aid and any other known gift aid received by the student. Eligible students are then awarded based on the unique award schedules developed by each institution.

Although the programs are decentralized, budget requests are centralized through SCHEV. The Commonwealth Award and VGAP are funded through one allocation to each institution via the Virginia Student Financial Assistance Program. SCHEV bases its funding request to the state on information found in data files submitted by the campuses to determine the amount of aggregate student need existing at each institution. The aggregate student need is based on the Cost of Attendance, the student EFC, all non-endowment gift aid, and an allowance for student burden. SCHEV's goal is to meet 100 percent of this student need; current funding is meeting approximately 70 percent.

Private Institutional Aid

Virginia maintains the Tuition Assistance Grant program to provide financial assistance to students enrolled in participating Virginia, non-profit private institutions. Recipients must meet state domicile requirements and be enrolled full-time in an eligible degree program. Financial need is not required. If shortfalls occur, SCHEV rations the aid by reducing spring awards.

Evaluation

All state aid programs are audited annually by SCHEV and data on awards and expenditures are included in financial reports. A new financial aid reporting system called FAIR – Financial Aid Institutional Reports – is currently being implemented, with first public reports expected by the end of 2002. Virginia has a comprehensive statewide accountability report, called Reports of Institutional Effectiveness (ROIE). Each institution reports on its performance in meeting statewide and institutional goals. For each public institution, this includes (among many other measures) information on tuition and fees, the total number of undergraduates receiving financial aid and the amount of financial aid received, the average debt burden of baccalaureate recipients, as well as the percentage of baccalaureate recipients graduating with any kind of debt.

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